

Aid for Trade: Policies and Strategies in German Development Cooperation

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AID FOR TRADE

*Policies and Strategies in German
Development Cooperation*

2015



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Abstract

Trade can be an important driver of economic development, and Aid for Trade – an initiative launched by the WTO in 2005 – aims to assist developing countries to benefit from the opportunities arising from trade liberalisation. This desk study answers several evaluative questions related to the policy reorientation undertaken by the German Federal Ministry for Cooperation and Development (BMZ). The empirical analysis is based on policy papers, project documents and data retrieved from the OECD DAC Creditor Reporting System as well as discussions with representatives from BMZ and the implementing agencies of German development cooperation.

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EXECUTIVE SUMMARY

1.

Background, objectives, and methodology

The Aid for Trade (AfT) initiative, launched at the Sixth World Trade Organization (WTO) Ministerial Conference in Hong Kong in 2005, aims to support developing countries in realising potential welfare gains from trade liberalisation and to compensate them for disadvantages arising from the implementation of trade agreements. The precise definition, nature and value added of AfT have been fiercely discussed: AfT is neither a new global development fund nor a new aid category. Instead, it is broad in scope and forms an integral part of a wide variety of regular Official Development Assistance (ODA) programmes.

Based on its AfT concept, which was published in 2011, Germany has put considerable effort into implementing the AfT initiative within its development cooperation structures. Germany is one of the three leading donor countries in terms of total AfT disbursements; the other two are Japan and the USA. Because of the volume of German AfT and the continuing debate on AfT's effectiveness, it seems appropriate to review the implementation of the AfT approach now that almost a decade has passed since the launch of the initiative.

There has not been an in-depth reassessment of German AfT since a study carried out by Petra Voionmaa and Michael Brüntrup in 2009 and the publication of the Federal Ministry for Economic Cooperation and Development (BMZ) AfT concept in 2011. This desk study aims to fill this gap by reviewing and assessing almost ten years of German AfT support. There is an overarching interest in learning about the current state of German AfT implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Kreditanstalt für Wiederaufbau (KfW), National Metrology Institute (PTB), Deutsche Investitions- und Entwicklungsgesellschaft (DEG) mbH, and the Federal Institute for Geosciences and Natural Resources (BGR). In addition, this study will examine the role of the BMZ AfT concept in steering these activities.

The German Institute for Development Evaluation (DEval) conducted this study from October 2013 to August 2014. By documenting the German approach and portfolio over the

whole array of aid categories, German development cooperation may use the findings of this study to further refine its approach to AfT.

The specific objectives of the study were

- to assess whether the current German approach to AfT is adequate in terms of its targets and its conceptual and organisational setup, and
- to provide an overview of the portfolio of trade-related projects in order to assess whether AfT has been adequately mainstreamed as stipulated in the BMZ AfT concept.

From these objectives, the following set of research questions was derived:

Research question 1. In comparison with other donors' AfT strategies, does the BMZ concept paper appropriately reflect the state of the art of international AfT discussions?

Research question 2. Has AfT been successfully mainstreamed in BMZ priority area, sector and country concept papers?

Research question 3. Does the German AfT portfolio reflect the strategic priorities defined in the BMZ AfT concept?

To methodologically reduce the complexity inherent in the broad definition of AfT across several sectors and aid modalities, this study particularly addresses AfT after 2008, when it began to be divided into narrow and broad AfT. Narrow AfT (Trade Related Assistance – TRA) comprises aid categories with specific trade relevance, while broad AfT focuses on creating the enabling conditions for countries to engage in trade (in particular productive capacities and trade-related infrastructure).

The following methods were applied:

- document analysis,
- comprehensive literature review,
- statistical analysis of OECD Creditor Reporting System data and data lists provided by German executing agencies.

2.

Conclusions and recommendations

For those who expect a fully-fledged assessment of the current state of German AfT, a word of caution is in order: A desk study can only offer limited insights into issues as complex and broad as AfT. The quality of the data analysed suffers from a number of limitations caused by the broad scope of the topic and more specific challenges related to monitoring AfT and especially TRA. That being said, the following conclusions and recommendations can be drawn in relation to the study's three research questions.

Research question 1: In comparison with other donors' AfT strategies, does the BMZ concept paper appropriately reflect the state of the art of international discussions about AfT?

Conclusion: Overall, the BMZ AfT concept clearly reflects the main focus of the discussions during the AfT initiative's early years. In line with international practice, AfT was incorporated into German development cooperation through the "soft" means of mainstreaming, i.e. through awareness raising and persuasion rather than by creating a separate priority area devoted to trade. When it was written, therefore, the BMZ AfT concept was an appropriate tool. However, compared to other donors' current AfT strategies, it appears very consensus-based and, to some extent, lacking in focus, firm objectives and indicators. It would therefore benefit from a revision, which would also offer the opportunity to reflect on the inclusion of current topics such as green and inclusive growth, social standards, investment and coherence between trade and development policies.

Recommendation 1: Consulting recent AfT strategies of donor countries such as Finland could help to identify a suitable approach for specifying goals and outcomes of German AfT in greater detail.

Recommendation 2: BMZ should place stronger emphasis on the integration of green and inclusive growth issues into its AfT concept, as this is a highly relevant topic in German development cooperation.

Recommendation 3: Germany should follow the example of other European donors and explore and take advantage of the potential synergies between domestic trade and trade-related development. Furthermore, highlighting the importance of trade promotion for German companies and for the development of partner countries would help raise awareness of the AfT initiative. Existing trade policy instruments such as the Import Promotion Desk should be integrated into the German AfT approach.

Recommendation 4: At present, the BMZ AfT concept gives little consideration to the general (regulatory) frameworks for increasing foreign direct investment (e.g. intellectual property rights, contract enforcement, red tape), mentioning foreign direct investment only in relation to local enterprises' competitiveness. Despite or due to the sensitivity of large-scale foreign investment in terms of land grabbing and environmental impacts, for example, the issue deserves more attention and could potentially multiply the impact of aid interventions.

Research question 2: Has AfT been successfully mainstreamed into BMZ's priority area, sector and country concept papers?

Conclusion: More recent BMZ country strategies incorporate the trade dimension in an appropriate manner, even though they rarely use the term AfT. Likewise, trade issues have successfully been mainstreamed into thematic and priority area BMZ papers covering private sector-related issues. By contrast, recent BMZ strategy papers on agriculture tend to disregard trade issues, even though the documents analysed were published quite recently.

Recommendation 5: BMZ should start an internal discussion on the potential contributions of regional and international trade to agricultural development, including food security.

Research question 3: Does the German AfT portfolio reflect the strategic priorities defined in the BMZ AfT concept?

Conclusion: OECD Creditor Reporting System data confirms that Germany is one of the most important bilateral AfT donors. However, no clear trend in AfT or TRA numbers could be identified since funding sharply fluctuated over the period

under investigation. For example, AfT disbursements rose substantially between 2008 and 2010, followed by a sharp decrease since 2010 due to fluctuations in loans for trade-related infrastructure. Similarly, TRA first rose to its highest value (USD 835 million) in 2009 before falling to as low as USD 587 million in 2012. These fluctuations hint at a low degree of steerability of German AfT and especially TRA. They both tend to “happen” instead of being deliberately deployed. Some related challenges are outside of BMZ’s control: International rules for monitoring TRA were defined only after the birth of AfT and, hence, have evolved over time. Moreover, they remain ambiguous. Steering AfT in the wide sense is even more challenging: It covers a wide range of activities – from economic policies to infrastructure and productive capacities – that make up almost one fifth of German ODA. The AfT initiative is only one of many determinants impacting the scale of these activities.

However, other factors are within the scope of BMZ’s influence: For example, German executing agencies apply the trade development marker incoherently, which leads to an unstable financial volume of Trade Related Assistance. Since German executing agencies cannot rely on precise internationally or nationally agreed rules for interpreting the trade development marker, each executing agency seems to have developed its own specific approach, with negative repercussions for the comparability and predictability of Trade Related Assistance numbers.

Recommendation 6: BMZ should improve its guidance and supervision of executing agencies with regard to the application of the trade development marker. The thematic team “Trade and Sustainability” should be revitalised for this purpose.

Conclusion: For the four AfT priority areas stipulated in BMZ’s AfT concept, only partial conclusions can be drawn without further field based studies. While trade facilitation does not seem – at least statistically – to have received the attention it deserves, the picture certainly looks more positive in the case of regional integration. As the National Metrology Institute (PTB) has succeeded in scaling up its portfolio since the launch of AfT in 2005, the third priority area – quality infrastructure – also appears to have been strengthened. Due to its scale, it

is proving difficult to make a similar observation for the fourth area, which comprises regional and global value chains and other ways of incorporating the potential of export markets into measures to develop productive capacities. However, the examination of GIZ and KfW project documentation could not confirm a trend towards increased emphasis on trading opportunities in projects which support agricultural or sustainable economic development. While domestic value chains are often part of project implementation, the same cannot be said of regional and global value chains. This finding suggests that the purpose of this (more ambitious) fourth priority area has not been achieved.

Recommendation 7: BMZ should realign or adjust its priority areas in German AfT.

Conclusion: The TRA pledge of EUR 220 million per year starting in 2010, which was stipulated in the AfT concept, was easily met with an average of EUR 515 million per year between 2008 and 2012. Interestingly, this pledge would have almost been reached with GIZ contributions alone. This raises the question whether the German TRA pledge was ambitious enough. Of course, the German pledge was derived from a European Union commitment which was made without proper knowledge of past Trade Related Assistance levels. This led to surprisingly high TRA levels in subsequent monitoring exercises, with no need for additional funding in order to fulfil the pledge. TRA numbers were also boosted by internationally agreed monitoring rules, especially with the decision to assign 100 percent of TD-1 (trade development marker = 1) project values to TRA. As a result, all the often large-scale and therefore expensive TD-1 projects are counted as TRA, even though only a small proportion of them is linked to trade.

Recommendation 8: These monitoring practices underline the need not to confine any AfT analysis to aid statistics alone but instead, to look more closely at project design in order to identify the AfT initiative’s real value added. That can only be created if trade is continuously taken into account in all relevant projects – either as project indicators or at least as an element of project design.

Conclusion: An analysis of a sample of GIZ and KfW project documentation revealed that taking trade into account in all relevant projects seems to be a challenge for both executing agencies, with the exception of some recent GIZ projects, which are more specifically devoted to trade. In particular, agricultural projects offer obvious entry points which were rarely exploited.

Recommendation 9: BMZ should ensure that the executing agencies make use of these entry points in the future. This is even more necessary considering the extensive practice of attributing TD-1 and the effects this has on German Trade Related Assistance statistics, given that 100 percent of any TD-1 project are counted as Trade Related Assistance.

Conclusion: Knowledge and awareness of AfT and, more generally, of trade are limited. A considerable number of staff positions in GIZ's Competence Centre Economic Policy and Private Sector Development are devoted to trade. While synergies between the different sections of this Competence Centre are being exploited on a daily basis, the sector programme, where the staff with more specific trade expertise can be found, is not directly involved in the design or implementation of most GIZ projects. The same is true of BMZ's Trade-related Development Cooperation division (411), which is only occasionally concerned with AfT projects since trade is only one of the many topics within its sphere of responsibility.

Recommendation 10: If trade issues should receive more attention within German development cooperation, BMZ's and the executing agencies' trade-related capacities would have to increase. Although BMZ cannot directly interfere with the executing agencies' staffing decisions, it should encourage them to build up expertise on trade issues by commissioning more projects with a focus on trade aspects. At the same time, the Ministry should emphasise that AfT is not a short-term trend but a strategic component of German development policy.

Conclusion: With regard to knowledge management, it became apparent during the collection of data for this review that little information is available on the overall German AfT portfolio

and on specific projects, and that the information that is available is not collected centrally or widely known.

Recommendation 11: To provide up-to-date data on German AfT, the Trade Related Assistance portfolio and more qualitative information on trade-related projects, German AfT reviews – in two-year-cycles – could prove effective. Ideally, they would be linked to international AfT events such as the AfT Global Review. This type of review would contribute to raising awareness, both within and outside BMZ. To facilitate the writing of the reviews, portfolio figures should be drawn from BMZ's internal DASY database, facilitating direct comparison between the portfolios of technical and financial cooperation.

Conclusion: So far, AfT has been incorporated into German development cooperation through “soft” mainstreaming, including awareness raising and persuasion. However, this approach has only been partially successful. Alternative strategies would entail the launching of trade as a priority area of its own, or as a special initiative or fund. In fact, a special fund for trade – the Monterrey Fund¹ – already exists within BMZ. After some years with only limited funding, BMZ decided to increase its budget for 2015.

Recommendation 12: The expansion of the Monterrey Fund in 2015 will highlight AfT by initiating and testing new activities that specifically focus on trade. After initial funding through the Monterrey Fund, these activities should ideally be rolled out as integral parts of German development programmes in a second step, thus avoiding the creation of isolated solutions which are only weakly coordinated with other German activities. This approach will, instead, support and reinforce the general mainstreaming of German AfT.

¹ GIZ manages the Monterrey Fund on behalf of BMZ (<http://www.giz.de/fachexpertise/html/5696.html>, last accessed 25 September 2014).

ZUSAMMENFASSUNG

1.

Hintergrund, Ziele und methodisches Vorgehen

Die Aid for Trade (AfT) Initiative wurde 2005 bei der sechsten Ministerkonferenz der Welthandelsorganisation (WTO) in Hong Kong ins Leben gerufen. Sie soll Entwicklungsländer dabei unterstützen, potenzielle Wohlfahrtsgewinne aus der Handelsliberalisierung zu erzielen, und sie für Verluste kompensieren, die sie durch die Umsetzung von Handelsabkommen erleiden. Die genaue Definition, die Eigenschaften und der Mehrwert von AfT – also von handelsbezogener Entwicklungspolitik – werden seit Beginn der Initiative heftig diskutiert: Fest steht, dass AfT weder einen neuen globalen Entwicklungsfonds noch eine neue Art der Entwicklungszusammenarbeit (EZ) darstellt. Vielmehr ist AfT ein sehr breit angelegtes Instrument und ein fester Bestandteil vieler Programme der öffentlichen Entwicklungszusammenarbeit (ODA).

Deutschland hat erhebliche Anstrengungen unternommen, die AfT Initiative in seine EZ zu integrieren. Als Grundlage hierfür diente das 2011 veröffentlichte übersektorale Konzept „Aid for Trade (AfT) – Handelsbezogene Entwicklungspolitik“ des Bundesministeriums für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ). Neben Japan und den USA gehört Deutschland zu den drei größten AfT-Geberländern. Wegen des hohen Finanzvolumens der deutschen AfT und der anhaltenden Debatten über die Effektivität von AfT scheint es nun – fast ein Jahrzehnt nach dem Start der Initiative – an der Zeit, die bisherige Umsetzung von AfT in der deutschen Entwicklungszusammenarbeit zu untersuchen.

Bislang widmeten sich tiefergreifend nur das AfT-Konzept des BMZ und eine Studie von Petra Voionmaa und Michael Brüntrup aus dem Jahr 2009 dem deutschen AfT Ansatz. Die vorliegende Studie soll diese Lücke schließen, indem sie fast zehn Jahre deutsche AfT analysiert und bewertet. Es besteht ein übergreifendes Interesse daran, mehr über die deutsche AfT-Unterstützung zu erfahren, die von der Deutschen Gesellschaft für Internationale Zusammenarbeit (GIZ), der Kreditanstalt für Wiederaufbau (KfW), der Physikalisch-Technischen Bundesanstalt (PTB), der Deutschen Investitions- und Entwicklungsgesellschaft (DEG) und der Bundesanstalt

für Geowissenschaften und Rohstoffe (BGR) umgesetzt wird. Zudem untersucht diese Studie, wie das AfT-Konzept des BMZ die Ausrichtung der deutschen handelsbezogenen Entwicklungspolitik vorgibt.

Das Deutsche Evaluierungsinstitut der Entwicklungszusammenarbeit (DEVal) erstellte diese Studie von Oktober 2013 bis August 2014. Die deutsche EZ kann die Ergebnisse dieser Studie inklusive der Darstellung des deutschen Ansatzes und der Informationen zum Portfolio der einzelnen AfT-Kategorien nutzen, um den deutschen AfT-Ansatz weiterzuentwickeln und zu spezifizieren.

Das Ziel der Studie war es,

- zu bewerten, ob der gegenwärtige deutsche AfT-Ansatz in Bezug auf seine Ziele, seine konzeptionelle Basis und seine Umsetzungsstrukturen in sich schlüssig ist, und
- einen Überblick über das AfT-Portfolio zu geben, um zu bewerten, ob AfT – wie im AfT Konzept des BMZ vorgesehen – durch Mainstreaming erfolgreich in der deutschen EZ verankert wurde.

Aus diesen Zielen ergeben sich die folgenden Forschungsfragen:

Forschungsfrage 1. Spiegelt das AfT-Konzept des BMZ im Vergleich zu den Strategien anderer Geber die internationalen Diskussionen zu AfT in geeigneter Weise wider?

Forschungsfrage 2. War das Mainstreaming von AfT in BMZ-Schwerpunktstrategien und Sektor- und Länderkonzepten erfolgreich?

Forschungsfrage 3. Spiegelt das deutsche AfT-Portfolio die strategischen Schwerpunkte des AfT-Konzepts wider?

Um für diese Untersuchung die Komplexität zu reduzieren, die mit der breiten Definition des Themas AfT und dessen Reichweite über mehrere Sektoren und EZ-Modalitäten einhergeht, konzentriert sich die Studie zeitlich auf die Jahre nach 2008. Seitdem wird zwischen enger und weiter AfT unterschieden. AfT im engeren Sinne (Trade Related Assistance

– TRA) umfasst EZ-Kategorien mit konkreter Handelsrelevanz, während AfT im weiteren Sinne darauf abzielt, günstige Rahmenbedingungen für internationalen Handel zu schaffen (vor allem hinsichtlich produktiver Kapazitäten und handelsrelevanter Infrastruktur).

Die folgenden Methoden wurden in der Studie angewandt:

- Dokumentenanalyse,
- umfassende Literaturübersicht,
- statistische Analyse von Daten des OECD Creditor Reporting Systems und der von den Durchführungsorganisationen der deutschen EZ bereitgestellten Projektlisten.

2. Schlussfolgerungen und Empfehlungen

All jene, die hier eine umfassende Untersuchung der aktuellen deutschen AfT erwarten, seien vorgewarnt: Eine Schreibtischstudie kann nur begrenzt Einblicke in ein so komplexes Thema wie AfT liefern. Die Qualität der analysierten Daten weist eine Reihe von Einschränkungen auf, die aus dem breiten Ansatz des Themas und aus den besonderen Herausforderungen beim Monitoring von AfT und insbesondere von TRA resultieren. Dennoch können folgende Schlussfolgerungen und Empfehlungen hinsichtlich der drei Forschungsfragen festgehalten werden:

Forschungsfrage 1. Spiegelt das AfT-Konzept des BMZ im Vergleich zu den Strategien anderer Geber die internationalen Diskussionen zu AfT in geeigneter Weise wider?

Schlussfolgerung: Insgesamt spiegelt das BMZ AfT Konzept die Diskussionen der Anfangsjahre der AfT Initiative gut wider. Nach internationalem Vorbild verankerte das BMZ AfT durch „weiches“ Mainstreaming in der deutschen EZ, also durch Bewusstseinsbildung und Überzeugungsarbeit, anstatt einen eigenständigen Handelsschwerpunkts zu schaffen. Damit war das AfT-Konzept des BMZ zum Zeitpunkt seiner Entstehung ein geeignetes Instrument. Heute erscheint es allerdings im Vergleich zu den aktuellen Strategien anderer Geber äußerst konsensorientiert und lässt zu einem gewissen Grad eine klare Fokussierung sowie eindeutige Ziele und Indikatoren

vermissen. Eine Überarbeitung wäre daher wünschenswert. Sie würde auch die Gelegenheit bieten, die Aufnahme aktueller Themen wie nachhaltiges und integratives Wachstum, soziale Standards, Investitionen und die Kohärenz von Handels- und Entwicklungspolitik in das Konzept zu erwägen.

Empfehlung 1: Neuere AfT-Strategien anderer Geberländer wie Finnland sollten zurate gezogen werden, um einen angemessenen Ansatz für die detaillierte Spezifizierung von Zielen und intendierten Wirkungen (Outcomes) der deutschen AfT zu entwickeln.

Empfehlung 2: In einem überarbeiteten AfT-Konzept sollte das BMZ nachhaltiges und integratives Wachstum stärker betonen, weil dies ein für die deutsche EZ relevantes Thema ist.

Empfehlung 3: Deutschland sollte dem Beispiel anderer europäischer Geber folgen und die möglichen Synergien zwischen Handels- und Entwicklungspolitik erörtern und nutzen. Auch sollte es verstärkt auf die Bedeutung der Handelsförderung – sowohl für die Entwicklung der Partnerländer als auch für deutsche Unternehmen – hinweisen und damit das Bewusstsein für die AfT Initiative stärken. Darüber hinaus sollten existierende Instrumente der Handelsförderung wie etwa der Import Promotion Desk in die deutsche AfT eingebunden werden.

Empfehlung 4: Das AfT-Konzept des BMZ berücksichtigt kaum die allgemeinen (ordnungspolitischen) Rahmenbedingungen für die Steigerung von ausländischen Direktinvestitionen (z.B. geistiges Eigentumsrecht, Vertragsdurchsetzung und bürokratische Vorgaben), sondern erwähnt diese nur im Zusammenhang mit der Wettbewerbsfähigkeit lokaler Unternehmen. Trotz oder gerade wegen der hohen Sensibilität großer ausländischer Investitionen (zum Beispiel im Hinblick auf ihre ökologischen Folgen und Landraub) sollte das Thema in einem überarbeiteten AfT-Konzept mehr Beachtung finden. Dies könnte auch die Wirkung von EZ-Vorhaben erhöhen.

Forschungsfrage 2. War das Mainstreaming von AfT in BMZ-Schwerpunktstrategien sowie Sektor-, und Länderkonzepte erfolgreich?

Schlussfolgerung: Vor allem BMZ-Länderkonzepte jüngeren Datums berücksichtigen Handelsaspekte in angemessener Weise, auch wenn der Begriff AfT selten auftaucht. Auch in BMZ-Sektorkonzepten und Schwerpunktstrategien, die die Förderung der Privatwirtschaft thematisieren, wurde das Thema „Handel“ erfolgreich verankert. Im Gegensatz dazu berücksichtigen die Konzepte des BMZ zu landwirtschaftlichen Themen Handelsaspekte tendenziell weniger, obwohl die analysierten Dokumente erst vor kurzem verfasst wurden.

Empfehlung 5: Das BMZ sollte intern diskutieren, inwiefern regionaler und internationaler Handel zu landwirtschaftlicher Entwicklung und Ernährungssicherheit beitragen können.

Forschungsfrage 3. Spiegelt das deutsche AfT Portfolio die strategischen Schwerpunkte des BMZ AfT Konzepts wider?

Schlussfolgerung: Daten aus dem OECD Creditor Reporting System belegen, dass Deutschland eines der wichtigsten bilateralen Geberländer von AfT ist. Allerdings lässt sich kein klarer Trend der deutschen AfT- und TRA-Ausgaben erkennen, da diese im Betrachtungszeitraum stark schwankten. Zum Beispiel nahmen Ausgaben für AfT zwischen 2008 und 2010 erheblich zu, bevor sie wegen Kreditschwankungen für handelsbezogene Infrastruktur nach 2010 deutlich fielen. TRA stieg ebenfalls auf das höchste Niveau (835 Millionen USD) im Jahr 2009 und fiel 2012 dann auf nur 587 Millionen USD. Diese Schwankungen weisen auch auf eine geringe Steuerbarkeit der deutschen AfT und vor allem der TRA hin. Beide scheinen eher zu „geschehen“ als dass sie bewusst eingesetzt werden. Die Gründe dafür liegen teilweise nicht im Einflussbereich des BMZ: Internationale Monitoringregeln für TRA wurden erst nach dem Beginn der AfT Initiative definiert, wurden daher mit der Zeit geändert und sind weiterhin schwammig und unklar. Noch größere Herausforderungen bestehen allerdings bei der Steuerung von AfT im weiteren Sinne: Es umfasst ein breites Spektrum an EZ-Themen – von der Wirtschaftspolitik über Infrastruktur bis hin zu produktiven Kapazitäten – und damit fast ein Fünftel der deutschen ODA. Die AfT Initiative

ist dabei nur einer von vielen Faktoren, die den Umfang dieser Aktivitäten beeinflussen.

Andere Faktoren, die zu den großen Schwankungen beitragen, liegen jedoch im Einflussbereich des BMZ. Zum Beispiel wenden die Durchführungsorganisationen den Handelsmarker uneinheitlich an, was zu instabilen TRA-Zahlen führt. Da sich die deutschen Durchführungsorganisationen nicht auf genau definierte nationale Regeln zur Anwendung des Handelsmarkers stützen können, scheint jede Durchführungsorganisation ihren eigenen Ansatz entwickelt zu haben. Dies wirkt sich negativ auf die Vergleichbarkeit und die Planbarkeit der TRA-Zahlen aus.

Empfehlung 6: Das BMZ sollte die Durchführungsorganisationen hinsichtlich der Anwendung des Handelsmarkers stärker lenken und vermehrt überprüfen. Hierfür sollte das Thementeam Handel und Nachhaltigkeit wieder aktiviert werden.

Schlussfolgerung: Für die vier im BMZ AfT Konzept definierten thematischen Schwerpunkte können – ohne weitere feldbasierte Studien – nur teilweise Schlussfolgerungen gezogen werden. Während der Bereich Handelserleichterung – zumindest laut statistischer Auswertung der ODA-Daten – nicht die ihm zustehende Aufmerksamkeit bekommen hat, scheint das Thema Regionalintegration angemessen im Portfolio repräsentiert zu sein. Auch der dritte Bereich – Qualitätsinfrastruktur – erscheint durch die Erhöhung des Portfolios der PTB seit Beginn der AfT Initiative gestärkt. Aufgrund der großen Reichweite des vierten Schwerpunktbereichs ist es schwierig, hier eine ähnlich positive Aussage zu treffen. Der Bereich umfasst regionale und globale Wertschöpfungsketten und andere Möglichkeiten, um Exportmärkte in die Entwicklung von produktiven Kapazitäten einzubinden. Die Analyse von GIZ- und KfW-Projektdokumenten ergab keinen Hinweis auf eine verstärkte Berücksichtigung von Handel in Projekten zu landwirtschaftlicher Entwicklung oder nachhaltiger Wirtschaftsentwicklung. Während Projekte oftmals heimische Wertschöpfungsketten fördern, berücksichtigen sie nur selten regionale und globale Wertschöpfungsketten. Diese Beobachtung lässt vermuten, dass das Ziel dieses vierten (ambitionierteren) Schwerpunkts nicht erreicht wurde.

Empfehlung 7: Das BMZ sollte seine AfT-Schwerpunkte neu ausrichten oder anpassen.

Schlussfolgerung: Deutschland konnte seine im AfT-Konzept festgelegte TRA-Verpflichtung über 220 Millionen Euro pro Jahr ab 2010 leicht erfüllen und leistete zwischen 2008 und 2012 jährlich durchschnittlich 515 Millionen Euro TRA. Interessanterweise hätte die GIZ schon fast allein diese Verpflichtung erfüllen können. Dies wirft die Frage auf, ob die Zielgröße von 220 Millionen Euro jährlich ambitioniert genug war. Deutschland leitete seine TRA-Verpflichtung von einer auf EU-Ebene getroffenen Zusage ab, der keine genaue Analyse bisheriger TRA-Zahlen zugrunde lag. Das führte in den darauffolgenden Monitoring-Runden zu überraschend hohen TRA-Flüssen, sodass keine weiteren Mittel notwendig waren, um die Verpflichtung zu erfüllen. Hinzu kommt, dass internationale Monitoringregeln und dabei vor allem die Entscheidung, die Projektwerte von TD-1-Projekten (Handelsmarker = 1) zu 100 % als TRA zu zählen, die TRA-Zahlen künstlich aufgeblähten. Dadurch werden oft sehr breit angelegte TD-1-Projekte mit entsprechend großem Mittelvolumen komplett als TRA gezählt, auch wenn nur ein kleiner Teil des Projekts wirklich handelsrelevant ist.

Empfehlung 8: Diese Monitoringmethoden unterstreichen die Notwendigkeit, eine Analyse von AfT nicht alleine auf die Auswertung von Statistiken zu stützen, sondern die Inhalte der Projekte genau zu betrachten. Nur so lässt sich der reale Mehrwert der AfT Initiative ermitteln, der allerdings nur dann geschaffen werden kann, wenn Handel kontinuierlich in allen relevanten Projekten berücksichtigt wird – entweder als Projektindikator oder zumindest als Teil des Projektdesigns.

Schlussfolgerung: Die Analyse einer Stichprobe von GIZ- und KfW-Projektdokumenten zeigte, dass es für die Durchführungsorganisationen eine große Herausforderung darstellt, handelsrelevante Aspekte in allen entsprechenden Projekten zu berücksichtigen. Vor allem Landwirtschaftsprojekte bieten dafür deutliche Ansatzpunkte, die jedoch nur selten genutzt werden. Eine Ausnahme bilden einige neuere GIZ-Projekte, die speziell auf Handelsthemen ausgerichtet sind.

Empfehlung 9: Das BMZ sollte sicherstellen, dass die Durchführungsorganisationen solche Anknüpfungspunkte für Handel in Zukunft nutzen. Das erscheint wegen der verbreiteten Zuweisung von TD-1 und deren Auswirkungen auf deutsche TRA-Zahlen umso notwendiger, da ja alle mit TD-1 gekennzeichnete Projekte vollständig zu TRA gezählt werden.

Schlussfolgerung: Das Wissen über und Bekanntheit von AfT und Handel im Allgemeinen sind begrenzt. Eine beachtliche Anzahl von Mitarbeiterinnen und Mitarbeitern im GIZ-Kompetenzcenter Wirtschaftspolitik und Privatwirtschaftsentwicklung beschäftigt sich mit Handelsthemen. Während Synergieeffekte zwischen den verschiedenen Einheiten dieses Kompetenzcenters im Arbeitsalltag genutzt werden, ist das Sektorvorhaben, in dem die Mitarbeiterinnen und Mitarbeiter mit einer größeren Handelsexpertise angesiedelt sind, nicht direkt in die Konzipierung/Planung und Durchführung von AfT-Projekten involviert. Das gleiche trifft für das BMZ-Referat 411 (Handelsbezogene Entwicklungszusammenarbeit) zu, das sich nur gelegentlich mit AfT-Projekten befasst, da Handel nur eines von vielen Themen in seinem Verantwortungsbereich darstellt.

Empfehlung 10: Sollen Handelsthemen mehr Aufmerksamkeit in der deutschen EZ erlangen, wären entsprechend verstärkte Kapazitäten im BMZ und in den Durchführungsorganisationen notwendig. Obwohl das BMZ nicht direkt in Personalentscheidungen der Durchführungsorganisationen eingreifen kann, sollte es diese dazu ermutigen, Handelsexpertise aufzubauen – etwa indem es mehr Projekte mit einem Handelsschwerpunkt beauftragt. Gleichzeitig sollte das Ministerium betonen, dass AfT kein vorübergehender politischer Trend ist, sondern ein strategischer Bestandteil der deutschen EZ.

Schlussfolgerung: Bei der Zusammenstellung der für die Desk Studie benötigten Daten zeigte sich, dass nur wenig Informationen zum gesamten AfT-Portfolio und zu spezifischen AfT-Projekten verfügbar sind und diese weder zentral verwaltet werden noch generell bekannt sind.

Empfehlung 11: Um aktuelle Daten zur deutschen AfT, zum TRA-Portfolio und weitere qualitative Informationen

bereitzustellen, wäre es nützlich, alle zwei Jahre AfT-Reviews durchzuführen. Diese würden idealerweise an internationale AfT-Veranstaltungen wie den AfT Global Review gekoppelt sein und könnten die Bekanntheit von AfT innerhalb und außerhalb des BMZ erhöhen. Um das Verfassen solcher Reviews zu erleichtern und um einen direkten Vergleich zwischen Portfolios der technischen und finanziellen Zusammenarbeit zu ermöglichen, sollten die Portfolio-Daten direkt aus dem BMZ- internen DASY Datensystem gezogen werden können.

Schlussfolgerung: Bisher wurde AfT durch „weiches“ Mainstreaming in die deutsche EZ eingebunden, etwa durch Bewusstseinsbildung und Überzeugungsarbeit. Dieser Ansatz war jedoch nur teilweise erfolgreich. Als alternative Strategien käme etwa in Frage, einen eigenständigen Schwerpunktbereich aufzulegen oder eine Sonderinitiative oder einen Sonderfonds zu etablieren. Im BMZ gibt es mit dem Monterrey Fonds² bereits einen Sonderfonds zu Handel. Nach einigen Jahren mit begrenztem Finanzvolumen hat das BMZ entschieden, dessen Budget für 2015 zu erhöhen.

Empfehlung 12: Mit der Ausweitung des Monterrey Fonds im Jahr 2015 bietet sich die Gelegenheit, neue Aktivitäten mit einem klaren Handelsfokus anzustoßen und damit die Bedeutung von AfT zu unterstreichen. Nach anfänglicher Finanzierung durch den Monterrey Fonds sollten diese Aktivitäten in einem zweiten Schritt idealerweise als feste Bestandteile deutscher EZ-Programme weitergeführt werden. Dieses Vorgehen würde Insellösungen verhindern, die nur schwach mit anderen deutschen Aktivitäten verknüpft wären. Zudem könnte es das Mainstreaming von AfT unterstützen und verstärken.

² GIZ implementiert den Monterrey Fonds für das BMZ (<http://www.giz.de/fachexpertise/html/5696.html>, letzter Zugriff am 25. September, 2014).

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ABBREVIATIONS AND ACRONYMS

ACP <i>African, Caribbean and Pacific Group of States</i>	DEval <i>Deutsches Evaluierungsinstitut der Entwicklungszusammenarbeit/ German Institute for Development Evaluation</i>	GBP <i>Great Britain Pound</i>	KZM <i>DEval Competence Centre Methods</i>
AfT <i>Aid for Trade</i>	DIE/GDI <i>Deutsches Institut für Entwicklungspolitik/German Development Institute</i>	GDP <i>Gross Domestic Product</i>	LDC <i>Least Developed Country</i>
ASEAN <i>Association of Southeast Asian Nations</i>	EAC <i>East African Community</i>	GIZ <i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>	LIC <i>Low Income Country</i>
BGR <i>Bundesanstalt für Geowissenschaften und Rohstoffe/Federal Institute for Geosciences and Natural Resources</i>	EC <i>European Community</i>	GNI <i>Gross National Income</i>	LMIC <i>Lower Middle Income Country</i>
BMZ <i>Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung/Federal Ministry for Economic Cooperation and Development</i>	ECBP <i>Engineering Capacity Building Programme</i>	GTZ <i>Deutsche Gesellschaft für Technische Zusammenarbeit</i>	MDG <i>Millennium Development Goal</i>
BRICS <i>Association of five major emerging national economies: Brazil, Russia, India, China and South Africa</i>	ECOWAS <i>Economic Community of West African States</i>	IMF <i>International Monetary Fund</i>	MENA <i>Middle East and North Africa</i>
CRS <i>OECD Creditor Reporting System</i>	EPA <i>Economic Partnership Agreement</i>	ICTSD <i>International Centre for Trade and Sustainable development</i>	MSME <i>Micro, Small and Medium Enterprises</i>
DAC <i>Development Assistance Committee (OECD)</i>	EU <i>European Union</i>	IFC <i>International Finance Corporation</i>	NGO <i>Non-Governmental Organization</i>
DEG <i>Deutsche Investitions- und Entwicklungsgesellschaft</i>	EUR <i>Euro</i>	IOB <i>Policy and Operations Evaluation Department</i>	ODA <i>Official Development Assistance</i>
	FC <i>Financial Cooperation</i>	IPR <i>Intellectual Property Rights</i>	OECD <i>Organisation for Economic Cooperation and Development</i>
	FDI <i>Foreign Direct Investment</i>	ITC <i>International Trade Centre</i>	PTB <i>Physikalisch-Technische Bundesanstalt/National Metrology Institute</i>
	GATT <i>General Agreement on Tariffs and Trade</i>	JICA <i>Japanese International Cooperation Agency</i>	QI <i>Quality Infrastructure</i>
		KfW <i>Kreditanstalt für Wiederaufbau</i>	SADC <i>Southern African Development Community</i>

SECO

State Secretariat for Economic Affairs

Sida

Swedish International Development Cooperation Agency

SME

Small and Medium Enterprise

SSA

Sub-Saharan Africa

TC

Technical Cooperation

TCB

Trade Capacity Building

TCBDB

Trade Capacity Building Database

TD

Trade Development Marker

TF

Trade Facilitation

TPR

Trade Policy and Regulations

TRA

Trade-Related Assistance

TRI

Trade-Related Infrastructure

TRTA

Trade-Related Technical Assistance

UMIC

Upper Middle Income Country

UNCTAD

United Nations Conference on Trade and Development

USAID

United States Agency for International Development

USD

U.S. Dollar

WEHU

Sustainable Trade Promotion Department

WTO

World Trade Organization

1.

INTRODUCTION

International trade has sharply increased over the past two decades. Trade is believed to play an important role in reducing poverty and, hence, in achieving the Millennium Development Goals (MDGs) through its potential contribution to inclusive growth and employment (e.g. Hayashikawa, 2009). However, trade liberalisation does not automatically lead to such positive effects. Instead, it has to be fostered by proactive national policies and supported through global framework conditions that are conducive to pro-poor trade in developing countries (e.g. McCulloch, Winters, & Cirera, 2001).

Since the 1940s, several rounds of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) and later the World Trade Organization (WTO) achieved a substantial reduction in tariffs and other trade barriers in large parts of the world. However, these measures did not yield the expected positive results in many developing countries. Negotiating parties became increasingly aware of the importance of assisting these countries in making the most of trade agreements. As early as 1961, the Declaration of the Contracting Parties noted the necessity to promote production and marketing in developing countries. This acknowledgment was followed by the creation of the UN Conference on Trade and Development (UNCTAD) and the International Trade Centre (ITC) three years later.

During the 1980s, the trade agenda gained further momentum in developing countries because of the (highly contentious) attempts by the International Monetary Fund (IMF) and the World Bank to integrate the developing world into the global economy through liberalisation of trade-related and other policies. However, during the 1990s, these multilateral institutions refocused their strategy towards the implementation of national poverty reduction programmes. This resulted in a shift of development resources from trade, agriculture and infrastructure to education, health and public expenditure.

Trade as an important driver of economic growth has regained recognition since the launch of the WTO Doha Development Round in 2001 and, in particular, since the birth of the Aid for Trade (AfT) concept at the 2005 WTO Ministerial Conference in Hong Kong. This new initiative aims to support developing

countries in realising potential welfare gains from trade liberalisation and to compensate them for disadvantages arising from the implementation of trade agreements. By recognising the existence of such implementation challenges, WTO members admitted that a broad range of conditions need to be met for trade liberalisation to have positive effects on developing countries (BMZ, 2011, p. 3).

The precise definition, nature and value added of AfT have been fiercely discussed from the very beginning of the initiative. AfT is neither a new global development fund nor a new aid category. Rather, it is broad in scope and forms an integral part of a wide variety of regular Official Development Assistance (ODA) programmes. In fact, at the launch of the AfT initiative, a task force had been commissioned to elaborate a definition of AfT. It issued recommendations specifying that “Aid for Trade is about assisting developing countries to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalised trade and increased market access” (WTO, 2006). In addition, it defined six distinct AfT categories (see Box 1), with categories one and two constituting Trade Related Assistance (TRA) or AfT in the narrow sense, while categories one to six are referred to as AfT in the broad (or wide) sense.

Box 1. AfT categories

<ul style="list-style-type: none"> • “Trade policy and regulations”, including: Training of trade officials, analysis of proposals and positions and their impact, support for national stakeholders to articulate commercial interests and identify trade-offs, dispute issues, institutional and technical support to facilitate implementation of trade agreements and to adapt to and comply with rules and standards 	“Trade policy and regulations” and “Trade development” (categories 1 and 2) constitute Trade Related Assistance (TRA) or AfT in the narrow sense.	All six categories constitute AfT in the broad sense.
<ul style="list-style-type: none"> • “Trade development”, including: Investment promotion, analysis and institutional support for trade in services, business support services and institutions, public-private sector networking, e-commerce, trade finance, trade promotion, market analysis and development 		
<ul style="list-style-type: none"> • “Trade-related infrastructure”, including: Physical infrastructure such as transport, storage, communication and energy 		
<ul style="list-style-type: none"> • “Building productive capacity”, including: Same aspects as under category 2, but less trade-focused 		
<ul style="list-style-type: none"> • “Trade-related adjustment”, including: Assisting developing countries to put in place accompanying measures that help them to benefit from liberalised trade 		
<ul style="list-style-type: none"> • Other trade-related needs 		

Source: based on WTO (2006)

The task force also emphasised that “additional, predictable, sustainable and effective financing is fundamental for fulfilling the Aid-for-Trade mandate” (WTO, 2006), but left open the exact interpretation of the term “additional”. This created a controversy about what “additional” entails precisely (OECD & WTO, 2009a; Stiglitz & Charlton, 2006). Developing countries insisted on an increase in funding additional to the existing 0.7 percent target through which donor countries had promised to devote 0.7 percent of their Gross National Income (GNI) to ODA. By contrast, donor countries considered the 0.7 percent ODA pledge ample to accommodate AfT.

Apart from the discussion on additionality, the approach for defining and measuring AfT funding has aroused suspicion: Some authors (e.g. Hallaert, 2013) argue that donor countries have an interest in defining AfT as broadly as possible to prove successful resource mobilisation. However, in the view of many developing countries, this further reduces the value of the AfT initiative. A considerable share of AfT and TRA funding reported by donors has, indeed, resulted from new international monitoring rules through which trade-related activities

were suddenly more thoroughly identified and reported (Voionmaa & Brüntrup, 2009).

Disregarding its exact value in terms of additional funding, the AfT initiative has certainly led to some reorientation of development cooperation towards trade. But donors have not only committed some (limited) fresh funding; they have also reassessed their approaches for designing and implementing trade-related activities and formulated specific AfT donor strategies in order to improve the quality of these interventions.

1.1

Aim of the study and research questions

Based on its AfT concept, which was published in 2011 (BMZ, 2011), Germany has put considerable effort into implementing the AfT initiative within its development cooperation structures. Germany is one of the three leading donor countries in terms of total AfT disbursements; the other two are Japan and the USA.³ Because of the volume of German AfT and the continuing debate on AfT's effectiveness (e.g. Cadot et al.,

³ However, if total AfT disbursements are considered as a percentage of gross national income (GNI), Germany falls behind other donor countries such as Finland or the United Kingdom, but is listed ahead of the USA and Japan.

2014), it seems appropriate to review the implementation of the AfT approach now that almost a decade has passed since the launch of the initiative.

This desk study aims to inform the German Federal Ministry for Economic Cooperation and Development (BMZ) and German executing agencies about the development of German AfT since 2005, and to identify lessons learned, which may be useful when outlining Germany's future approach to AfT. It is the first in-depth reassessment of German AfT since a study carried out by Petra Voionmaa and Brüntrup (2009) and the first comprehensive summary of the German AfT portfolio since the formulation of the BMZ AfT concept in 2011.

The first objective of this study is to assess whether the current German approach to AfT is adequate in terms of its targets and its conceptual and organisational setup. It also aims to provide an overview of the executing agencies' portfolio of trade-related projects in order to assess whether AfT has been adequately mainstreamed as stipulated in the BMZ's AfT concept.

From these objectives, a set of research questions was derived:

1. In comparison with other donors' AfT strategies, does the BMZ concept paper appropriately reflect the state of the art of international discussions on AfT (see Chapter 3)?
2. Has AfT been successfully mainstreamed into BMZ priority area, sector and country strategy papers (see Chapter 4)?
3. Does the German AfT portfolio reflect the priorities defined in the BMZ AfT concept (see Chapter 5)?

In addition, recommendations for shaping the future German AfT approach are formulated based on the findings of the study (see Chapter 6).

1.2

Data and methodology

This study was conducted as a desk review based on available quantitative and qualitative data. Face-to-face discussions took place with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Kreditanstalt für Wiederaufbau (KfW) and Physikalisch-Technische Bundesanstalt (PTB) and telephone calls were made with Deutsche Investitions- und Entwicklungsgesellschaft (DEG), Bundesanstalt für Rohstoffe und Geowissenschaften (BGR), and the Organisation for Economic Co-operation and Development (OECD), which mainly dealt with the organisation's approaches and procedures for implementing and reporting AfT projects (see Chapter 5). In addition, the research drew upon the following methodological approaches and data sources:

Box 2. Data sources applied to research questions

Data sources/questions	Question 1	Question 2	Question 3
AfT evaluations and studies	✓	✓	✓
Donor AfT strategies	✓	✓	✓
BMZ concept papers	✓	✓	✓
AfT datasets from OECD CRS			✓
AfT project lists provided by German executing agencies			✓
GIZ and KfW project documentation			✓

AfT evaluations and studies

Recent AfT evaluations and related studies were analysed in order to provide a comprehensive overview of the current

state of AfT research and evaluations and to inform the design of this study. All documents were thoroughly examined and summarised in a literature review. While there was no

ambition to be all-encompassing, the analysis includes, to the evaluation team's best available knowledge, all recent donor-level evaluations relevant to this study (see Chapter 2). These 12 evaluations and studies are listed in the Annex, Table 6.

Donor AfT strategies

An in-depth examination of the BMZ AfT concept – the main paper defining the German approach to AfT – serves as a starting point for this study. As one core element of the analysis, the programme logic underlying the BMZ AfT concept was reconstructed. This was done only for Trade Related Assistance, hence the narrow definition of AfT, since only this part specifically relates to international trade. The reconstruction drew upon the structure and content of the BMZ AfT concept, and the semantic links between its elements such as specific sentences. It proved difficult to distinguish between activities, outputs, outcomes, and impacts, because these terms are used in the AfT concept in a rather undifferentiated manner. Therefore, this analysis referred to other sources (e.g. OECD, 2013) in order to identify these elements.

In addition, a comparison with six AfT strategies of international donors puts the German AfT concept into an international context and highlights similarities and differences. A simple text analysis addressed the documents' main focal areas in terms of content and approaches (see Section 3.3).⁴

BMZ concept papers

In order to assess the degree to which AfT has been mainstreamed throughout BMZ policies, a number of its concept papers were analysed (see Chapter 4):

- seven BMZ thematic concept papers published since 2006⁵,
- seven BMZ country strategy papers published since 2006 addressing the country samples of this study (see the selection of the country sample in Box 3 at the end of this chapter), and
- nine priority area strategies published since 2008.

Partner countries' national development strategies were also reviewed in order to find out whether the trade focus of BMZ country strategy papers and priority area strategies correlates with the ownership of AfT demonstrated by partner countries.

The analysis was carried out as a comprehensive desk review. A list of documents analysed can be found in the Annex, Tables 7 (BMZ thematic strategies), 8 (BMZ country strategy papers and priority area strategies), and 9 (partner country strategies).

AfT datasets and project lists

Different sets of AfT data were examined: First, publicly available OECD Creditor Reporting System (CRS) data for the period 2008–2012 was used.⁶ No CRS data from before 2008 was analysed since the trade development marker (TD), necessary to delineate TRA from AfT in general, was only introduced in that year (see Section 5.1). The OECD CRS database includes comprehensive information on each AfT project, including project title, sector, country, starting year, disbursements by year, and TD (from 2008). This database lists more than 7,000 German AfT projects between 2008 and 2012.

One note of caution: BMZ funding accounts for only 54 percent of total German ODA (OECD, 2010). The CRS data on German ODA discussed in this study is provided not only by BMZ but also by other ministries and by the German federal states (Länder). As a consequence, there may be an upward bias in the data compared to AfT disbursements by BMZ only.

In addition to CRS data, lists of trade-relevant AfT projects were provided by all major German executing agencies which implement AfT as part of Germany's financial cooperation (KfW: 356 projects) and technical cooperation (GIZ: 819 projects, PTB: 39 projects, and BGR: 25 projects).⁷ DEG also provided information, but only aggregated figures on annual AfT disbursements. Time periods and definitions of trade-related projects tend to differ from one organisation to another (for further information on the datasets, see Section 5.2). However, project lists include similar information (variables) such as

⁴ It was decided to limit the analysis to six donor strategies due to time constraints and their specific relevance to the German strategy.

⁵ The AfT initiative was launched in December 2005. It is therefore assumed that AfT is reflected in policy papers dating from 2006 and later.

⁶ Available at: <http://stats.oecd.org/Index.aspx?DatasetCode=CRS1#> (last accessed October 2014).

⁷ While the information about the AfT portfolios of executing agencies should theoretically be available via the BMZ internal database (DASY), the evaluators did not have access to this database and therefore gathered the data separately from each executing agency.

BMZ project number, country, time period, project name, sector, TD, and financial volume. Based on these project lists and the data retrieved from the CRS database, a descriptive analysis using the statistical software Stata was conducted to provide a comprehensive overview of Germany's AfT support.

GIZ and KfW project documentation

The executing agencies' project lists described above provide only fairly general information which does not allow conclusions to be drawn about the content and the actual trade focus of projects. Hence, in a second step, documents of projects implemented in the selected twelve partner countries (see Box 3) were examined.

GIZ provided project documentation for seven countries (see Section 5.2.2) and KfW for twelve countries (see Section 5.2.4). All documents were thoroughly analysed in a comprehensive desk review.

Box 3. Selection of the country sample

The selection of a country sample for the analysis undertaken in Chapters 4 and 5 was necessary to limit the enormous number of projects falling within the definition of AfT and TRA. The sampling process was applied to the three largest datasets (OECD CRS, GIZ, KfW) and the following sampling procedure was applied:

In a first step, countries were selected according to five criteria:

1. Total Trade Related Assistance (TRA) disbursements (in USD million)
2. Number of TRA projects
3. Share of TRA disbursements in German ODA
4. Per capita AfT disbursements
5. The share of AfT disbursements in Gross Domestic Product (GDP)

The emphasis of the first three criteria lies on TRA (the narrow definition of AfT). These criteria aim to identify countries with clearly trade-relevant projects (as opposed to projects only included in the wider definition of AfT which do not directly deal with trade matters). However, total AfT forms the basis of criteria 4 and 5 since TRA flows proved too small to obtain a meaningful result there. Since the sample should be derived from a typical country selection, outlier countries are not considered as part of the selection; Afghanistan, Iraq and the BRICS countries (Brazil, Russia, India, China and South Africa) are therefore excluded.⁸ This should lead to more stable mean values of the overall sample.

These five portfolio criteria were applied to data retrieved from the OECD CRS database and to the project lists provided by GIZ and KfW. It was assumed that a country would meet a criterion if its number or share was equal or larger than the mean across all countries.⁹ The number of achieved criteria was then summed up for each country. All 42 countries with a total score equal to or higher than three achieved criteria (higher than two for KfW data¹⁰) are listed in the Annex, Table 4. In a second step, countries were matched with BMZ priority areas relevant to AfT.¹¹

Countries listed in at least two of the three databases (see Annex Table 4) and featuring an AfT-relevant BMZ priority area were preselected (20 countries). After further discussion, it was decided to focus on countries in Asia and Africa, which are priority regions of German AfT. All European and South American countries were therefore dropped from the sample. Conflict-affected countries and petroleum-exporting countries (Mali, Nigeria, the West Bank and the Gaza Strip) were also omitted. The following twelve countries constitute the final sample (earlier approaches to the country selection are presented in the Annex, Table 5).

⁸ Outlier countries are defined as specific recipient countries (Afghanistan, Iraq) or large and fast-growing countries (BRICS).

⁹ In a first step, only countries above the mean were taken into consideration. However, due to a small sample selection, countries at the mean were included too.

¹⁰ Setting the benchmark at a score higher than three in the KfW project list excludes Georgia, Namibia, Rwanda and Uganda. However, OECD CRS data and GIZ project lists reveal that three of these four countries are highly relevant to German AfT support. To increase the possible sample for further in-depth study, the benchmark of KfW data was set at the lower benchmark of two.

¹¹ Relevant areas for AfT include sustainable economic development, agriculture and rural development, sustainable resource management, and transport. The German priority areas in specific countries can be found on the BMZ website: http://www.bmz.de/en/what_we_do/countries_regions/index.html.

Table 1. Country selection based on OECD CRS, and KfW and GIZ project lists¹²

	LDC	LMIC	Other LIC	UMIC
Asia	Laos, Nepal	Mongolia	Tajikistan	
Africa	Burkina Faso, Ethiopia, Mozambique, Senegal, Uganda, Rwanda	Ghana		Namibia

Source: authors' own calculations based on OECD CRS data and project information provided by GIZ and KfW, 2014

The remainder of the paper is structured as follows: The second chapter outlines recent donor evaluations on AfT, their main results, methodology, indicators, and limitations. The BMZ strategy on AfT is described and its programme logic is reconstructed and compared with other donor strategies on AfT in Chapter 3. Chapter 4 examines the success of AfT

mainstreaming efforts within BMZ, e.g. through an analysis of various BMZ sector strategies. Chapter 5 describes the German AfT portfolio on the basis of aid statistics and project documentation. Chapter 6 briefly summarises the main results and makes recommendations.

¹² As a robustness check for the country selection, the evaluation team added co-financed projects in the portfolio implemented by GIZ (91 projects), and trade-related projects commissioned by donor institutions other than BMZ in the case of the KfW portfolio (62 projects). As the country selection does not change, the evaluation team believes that this selection is representative of German AfT support.

2.

LITERATURE OVERVIEW:
RECENT DONOR LEVEL
EVALUATIONS AND RELATED
STUDIES ON AFT

Various AfT evaluations and related studies were recently carried out, each with a slightly different focus. The high volumes of ODA attributed to AfT and the much-debated linkages between trade liberalisation and poverty are some of the reasons which motivate such research. The methods and approaches applied provide insights into the state of the art in analysing AfT which formed a valuable basis for designing and carrying out the desk study at hand.

Apart from donor-level evaluations, there are also aggregate/cross-country studies with a strong quantitative focus on econometric relations and project- or programme-level evaluations. However, this section focuses exclusively on donor-level evaluations, because this study deals with AfT provided by Germany as one particular donor.

Evaluations at the level of an entire donor portfolio and related studies are usually less quantitative compared to aggregate macro level studies and strongly focus on the country and institutional context. They typically apply a broader perspective, covering different sectors, country case studies, instruments and dependent variables (OECD & WTO, 2013). In contrast to project-level studies, donor evaluations do not focus on only one specific project or group of projects, but attempt to assess all AfT activities funded by one donor.

Among the limitations of donor level evaluations is the lack of attention sometimes paid to the recipient country perspective, for example with regard to the effectiveness of service and delivery mechanisms. Furthermore, the analysis is largely carried out at individual project and programme level and cannot aggregate results on a country, regional or thematic level (OECD & WTO, 2013).

Donors that have commissioned such portfolio evaluations include Norway (Lindahl, 2011), Sweden (Goppers & Lindahl, 2009), Finland (Bird, Turner, Rovamaa, Suokko, & Gathii, 2011), Switzerland (Finkel, Roloff, & Koopmann, 2013), the European Union (EU, 2013), and the United States (Hageboeck, 2011). Some of their findings and limitations are described below.

The studies examined can be classified by the methodology used: desk reviews, country case studies and meta-evaluation. Some evaluations can be ascribed to several groups, which will be marked accordingly.

a) Desk reviews

Lindahl (2011) analysed the experience and results of Norwegian support for TRA through multilateral organisations from 2007 to 2010. The study was undertaken as a desk review, using existing reports and evaluations on AfT of nine multilateral organisations. It discovered a vast discrepancy between the perception and reality of Norway's role in delivering AfT. Norway could have a higher profile and visibility in trade development than is currently the case, because it is one of the main donors channelling funds through multilaterals. Furthermore, Lindahl found that surprisingly few evaluations on AfT focus on multilateral organisations. However, the study shows certain limitations in that it does not cover bilateral assistance, and although it proposes evaluation criteria, it does not develop evaluation indicators.

The Policy and Operations Evaluation Department (IOB) at the Dutch Ministry of Foreign Affairs conducted a first assessment of Dutch Trade-related Technical Assistance (TRTA) in 2005 (IOB, 2005). It was conducted as a desk study, but also includes some field review elements on Burkina Faso, Tanzania, Ethiopia and Yemen. The evaluation mostly concentrates on multilateral programmes in AfT category 1 (TPR; see Box 1). When the study was written, Dutch technical assistance was mostly channelled through multilaterals. This raised the question whether the private or the public sector was more efficient and effective in delivering technical assistance. The authors observed that the design and implementation of TRTA activities pay too little attention to formulating and using measurable indicators. Furthermore, single-issue organisations were regarded as more transparent and efficient in delivering TRTA than large agencies. Since 2004, there has been a policy change in the Netherlands towards more bilateral support. There is also more emphasis on the role of international value chains, the Dutch private sector and foreign direct investment. Since 2012, "Aid and Trade" has been at the heart of Dutch policy and has been the responsibility of the Ministry for Trade and Development Cooperation.

A desk study by Ingram (2006) illustrates the evolution of trade assistance provided by the World Bank from 1987 to 2004. The World Bank is the largest multilateral provider of AfT. It reviews trade-related interventions in several countries through interviews and surveys with key stakeholders. The study focuses on the relevance and effectiveness of the World Bank's trade assistance and examines its strategies and objectives. One of the results shows that more attention should have been paid to strengthening analytical tools, processes and systematic interactions in delivering trade assistance. Evaluation indicators used are only stated in general terms, while the study focuses on inputs, outputs, outcomes, and impacts.

The evaluation of TRA carried out on behalf of the European Commission (2013) between 2004 and 2010 draws its findings from eleven country and three regional case studies. Eight of them involved field research in partner countries. The objective was to undertake a general and independent assessment of the EU's TRA and to identify key lessons in order to improve TRA strategies and programmes. The study offers ten detailed findings, including the observation that the expanded EU TRA portfolio enables the EU to engage successfully and relevantly in diverse contexts. Furthermore, the authors consider the EU AfT strategy to be successful in supporting harmonisation and alignment among EU member states, although a certain weakening of this momentum had been observed.

The Swiss AfT evaluation analyses the strategic, programmatic and portfolio levels of Swiss support from 2002 to 2012 (Finkel et al., 2013). The authors conducted country case studies in Viet Nam and Peru and interviews with stakeholders and beneficiaries. They found that the Swiss decision to establish trade as one separate priority area within its development co-operation system¹³ had proved to be successful. On a negative note, they concluded that project quality varies significantly and that project monitoring remains a challenge due to the wide range of available monitoring models.

In the case of Finland, Bird et al. (2011) provided an in-depth analysis of the Finnish AfT strategy. They chose 34 projects to draw an overall picture of Finland's AfT. The sample was selected based on the availability of project documentation

and the study covers the main areas of Finland's AfT by sectors, topics and geographical focus. The authors undertook a comprehensive literature review and conducted interviews in the selected countries (Namibia, Tanzania, Zambia, Laos, Thailand and Viet Nam) and with EU/multilateral organisations. The authors found that the "lack of conceptual clarification of AfT reduces the scope to promote cohesiveness and complementarities among projects/programmes in collectively achieving trade-related performance targets at the outcome level" (p. 35). They also observed that AfT was fragmented into many different interventions and that there was no adequate inclusion of cross-cutting issues. The analysis was largely undertaken at the level of individual projects and programmes. Indicators were extensively defined and mostly focused on DAC evaluation criteria and on project design, but without attempting to measure impacts. The indicators are described in more general and qualitative terms such as "Evidence on any special Finnish features in promoting [...] AfT" (p. 149).

b) Case studies

Goppers and Lindahl (2009) analysed 20 ongoing or completed Swedish TRA projects in Tanzania and Uganda undertaken since 2001. The study's focus is on Sida's larger TRA projects, covering the categories of Trade policy and regulations (TPR), Trade development, and Trade-related infrastructure (TRI). The findings show, among other things, that the TRA project outcomes in terms of reaching their development objectives were unclear. Only one of the TRA projects reviewed appeared to have contributed to Sida's overriding objective, the reduction of poverty (p. 9). Results chains could not be tested empirically due to problems of attribution and counterfactuals.

The evaluation of the Trade Capacity Building (TCB) activities undertaken by the United States Agency for International Development (USAID) (Hageboeck, 2011) examines 256 projects and uses a vast array of methods such as quantitative econometric modelling and e-surveys among USAID staff. The study aimed to examine results and impacts of TCB to learn from experience and to improve the design and implementation of such activities. Overall, the evaluation concludes that USAID has contributed substantially to global trade. The authors stated that it is essential to work towards more competitive public and private sector practices simultaneously. The evaluators

¹³ Switzerland is one of the few countries where trade is a sector in its own right.

encountered a number of difficulties, e.g. in locating project documentation, and found errors in connecting annual funding entries to multi-year projects. While the study uses evaluation questions and criteria, it only applied programme indicators and did not develop indicators specifically for the evaluation.

Khatun, Hossain, and Dewan (2013) carried out an evaluation for the International Centre for Trade and Sustainable Development (ICTSD). They tested the methodology matrix on AfT funds trajectory, ownership, alignment, coordination among donors, south-south cooperation, partner country limitations in absorptive capacities, coherence with environmental sustainability, and impact at the macro and micro level (see Adhikari (2011)). The findings based on eight country case studies show that AfT is most effective when it is predictable and additional and well mainstreamed into national development strategies with a high degree of ownership by the partner country. The evaluation also revealed a lack of awareness regarding the concept and practice of AfT.

The evaluation of Japanese AfT by Yamagata (2012) includes two case studies in the focus countries, i.e. Laos and Viet Nam. The objective was to assess whether AfT could enhance productivity and reduce poverty. Unfortunately, the evaluation (at least in its English version) is weak in explaining results and offers only general statements on positive findings on consistency and effectiveness of Japanese AfT support.

c) Meta-evaluation

Delpuech et al. conducted a meta-evaluation of 162 evaluations of projects in the transport and storage sectors in Ghana and Viet Nam via keyword search (Delpuech, Jouanjean, Le Vernoy, Messerlin, and Orliac (2011)). The authors assessed whether these evaluations offer useful information for policy makers and proposed evaluation guidelines. Their results show that these evaluations do not say much about trade and are mostly vague and ill-focused, and that the identification of causal linkages is not possible. The authors cited some exemplary indicators that were used in the evaluations.

To conclude, since the launch of the AfT initiative in 2005, AfT has become an important component of donors' development cooperation. Several donors have evaluated their AfT support

in fully-fledged evaluations, often including comprehensive country case studies. Some of the studies provide essential lessons for assessing German AfT, e.g. Bird et al. (2011) and Finkel et al. (2013) through their in-depth analyses of the Finnish and Swiss AfT strategies. The EU evaluation illustrates the broader historical setting of EU AfT, which has served as a major reference point for German AfT. Furthermore, several evaluations offer crucial insights into the reconstruction of their programme logic (e.g. EU, 2013; Finkel et al., 2013; Hageboeck, 2011; Ingram, 2006). Khatun et al. (2013) feature a detailed list of possible elements, indicators and information sources for analysing the effectiveness of AfT. In addition, results of the 2009 German Development Institute (DIE) study on German AfT provide helpful insights into the status of AfT in Germany before the introduction of the BMZ concept paper on AfT in 2011 (Voionmaa & Brüntrup, 2009).

The overall impression from the evaluations is that much can still be done to improve donor countries' AfT strategies, outcomes, and impact definition and indicators. Furthermore, several studies mention a lack of awareness among policy-makers and executing agencies of a concept which, at the time, was still relatively new. An important recommendation from these studies is that the private sector should be closely involved in AfT due to the obvious synergy effects.

The structure of this study is largely determined by the approach taken in the evaluations and studies described above, specifically the desk reviews. For instance, both the German AfT concept and its portfolio will be examined. To a large extent, the conclusions are comparable to those of the other donor-level reviews of AfT, showing that the BMZ AfT concept poses similar challenges as other donors' strategies.

3.

THE BMZ STRATEGY ON AID FOR TRADE

The BMZ publication “Aid for Trade in German Development Policy” (BMZ, 2011) published in August 2011 is the single official document guiding the design and implementation of AfT within German development cooperation.¹⁴ It is therefore the starting point for assessing the success of anchoring AfT within the German aid system.

This chapter provides an in-depth analysis of the content of this document, known as the “BMZ AfT concept” (in its English version). It deconstructs and reconnects the strategy’s different elements in order to reconstruct a programme logic (see Sections 3.1 and 3.2). In Section 3.3, various other donor strategies are briefly described and compared with the German approach with a view to enhancing our knowledge of the theoretical AfT frameworks used in various contexts and countries.

3.1 Approach and contents

As part of a regular exchange of AfT-related information among OECD countries, BMZ stated in 2009 that “internal procedures and steering instruments will be adapted with the aim of integrating AfT more systematically in planning, designing, implementing, evaluating and steering German sector strategies, programmes and projects” (OECD & WTO, 2009b). The BMZ AfT concept was designed as the main tool for achieving this goal by increasing the awareness of trade both within BMZ and among German executing agencies. It was elaborated based on the findings of a study that had analysed past experience and best practice of German trade-related development cooperation to 2008 (Voionmaa & Brüntrup, 2009). The EU strategy on AfT (EU, 2007) served as a second important reference document.

As mentioned above, one of the primary purposes of the BMZ AfT concept was to anchor AfT firmly within German development cooperation. However, it was commonly feared that creating a new priority area (“Sektor”) for trade with stand-alone trade projects would fragment the German aid system and undermine the general tendency towards more

comprehensive programming (Voionmaa & Brüntrup, 2009, p. 102). For that reason, it was decided early on that trade should be mainstreamed by integrating it as a cross-cutting issue within the existing BMZ priority areas.¹⁵ Against this backdrop, this section determines the role and relevance of the BMZ AfT concept.

In its Section 1, the AfT concept broadly outlines the context and history of the AfT initiative and describes the role of AfT in achieving the MDGs. An entire paragraph is devoted to the interaction between trade and climate change, pointing to backing for this topic within BMZ during the drafting of the paper.

Section 2 identifies a number of potential opportunities and constraints (“possible bottlenecks”) to trade. It highlights that a political commitment to gradual reform is required to tackle these bottlenecks. This is where – according to the AfT concept – AfT comes in: It supports such reforms as accompanying development policy measures. This section repeatedly emphasises the regional dimension. Regional economic integration is mentioned both in the discussion of the potential opportunities and challenges of trade, demonstrating the importance of this topic to German development cooperation.

Section 3 specifies the priority goal of German AfT: “... to assist partner countries in successfully integrating themselves into the global economic system and regional economic communities, diversifying their economies and exports and using trade in goods and services and foreign direct investment to more effectively reduce poverty in the context of sustainable development” (BMZ, 2011, p. 6). Selected cross-cutting policy areas are mentioned: gender, environment, human rights, biodiversity and food security. Interestingly, climate change, to which a special paragraph is devoted in Section 1, is no longer included.

Section 4 outlines Germany’s financial commitment. At the launch of the WTO AfT initiative in 2005, the European Union (EU) had pledged to spend two billion euros per year on TRA, starting from 2010, with one billion euros coming from the European Commission and one billion from its member states.

¹⁴ Within BMZ, the Trade-related Development Cooperation division (411) was the lead division in this context.

¹⁵ Most donor countries have pursued a similar approach, with Switzerland being one of the few exceptions (see Section 3.3 of this study).

Germany assumed that its share in the EU pledge should be as high as its contribution to the EU budget: about 22 percent. This financial commitment was incorporated into the BMZ AfT concept: BMZ promised to spend at least 220 million euros annually from 2010 on TRA (i.e. AfT in the narrow sense), in proportion to the growth in overall ODA. The reference to overall ODA increases was included in anticipation of concerns about possible negative effects of the AfT initiative on ODA allocations to social and other non-economic sectors. By linking AfT to overall ODA increases, it was at least formally ensured that AfT increases would not be to the detriment of other forms of ODA.

A geographic focus is brought in by earmarking half of the increase in TRA for the African, Caribbean and Pacific (ACP) Group of States, particularly sub-Saharan Africa (SSA). Hence, SSA is to some extent at the centre of German AfT.

The same section includes a description of the main German activities carried out so far in the four main AfT categories: With regard to “Trade policy and regulations”, it is stated that Germany “employed a multi-level approach which focuses primarily on strengthening national and regional negotiation and implementation capacities and developing and implementing environmental, social and technical standards” (BMZ, 2011, p. 7). “Trade development” is described as the “priority” of German TRA. In this area, “trade-related institutions and implementation actors are enabled to strengthen the regional and international competitiveness of local companies and agricultural producers” (BMZ, 2011, p. 7). “Building productive capacity” entails “strengthening more efficient and socially and ecologically sustainable production structures and enhancing the competitiveness of productive sectors” (ibid.). While the AfT concept also identifies Trade-related infrastructure as a “key bottleneck in the practical functioning of trade” (BMZ, 2011, p. 8), no specific German AfT approach is described. This rather brief discussion of Trade-related infrastructure might result from the rather minor role played by this AfT category in German development cooperation.

The core of the document is the discussion of the future direction of German AfT in Section 5. Four new priority

areas are identified, which should guide future German AfT interventions:

1. regional economic integration and the negotiation and implementation of Economic Partnership Agreements (EPAs),
2. trade facilitation,
3. quality infrastructure, and
4. regional and international value chains in agricultural and non-agricultural sectors and other ways of incorporating the potential of export markets into measures for developing productive capacities.

In addition, BMZ commits to supporting its partner countries in integrating trade into their national policies, to pursuing an effective division of labour and coordination among donors and among German executing agencies, and to strengthening the results orientation and efficacy of the measures.

All in all, the BMZ AfT concept corresponds to its role as a mainstreaming instrument. Some parts lack a clear focus and appear to be the result of several rounds of revisions within the Ministry, especially the extensive description of past AfT approaches in Section 4. The discussion of future priority areas could have benefited from greater clarity. This vagueness may be due to the role of the AfT concept as a mainstreaming tool. Since it was decided not to create a separate BMZ priority area for trade, AfT had to be integrated into existing areas. This required a rather flexible approach focused on awareness raising and persuasion. The BMZ AfT concept was not intended to lay out detailed directions for designing and implementing AfT but to raise the profile of AfT in-house and among executing agencies by “soft” means.¹⁶ It could be argued that this strategic consideration justifies its somewhat vague language. At the same time, it runs the risk of turning AfT in merely another cross-cutting topic that has to be taken into consideration when designing a project. The following sections of this paper shed more light on these questions by looking at the success of the German approach to anchoring trade firmly within development cooperation.

¹⁶ The concept uses more specific wording only once, in Section 5, where it states that “the activities of the implementing agencies will be directed more explicitly at trade issues and effects in the future...” (BMZ, 2011, p. 12).

3.2

Reconstruction of the programme logic

A programme logic¹⁷ links inputs, outputs and outcomes to expected impacts and can be used to describe and map the expected changes generated by an intervention. However, it does not usually specify the underlying mechanisms that are presumed to be responsible for these linkages.¹⁸ The existence of a clearly defined programme logic (or a similar concept) simplifies evaluations since it provides a description of the policy-maker's intention against which the results achieved can be assessed. Hence, it constitutes an important benchmark for measuring success.

In the case of AfT, it is rather difficult to design and follow a programme logic because AfT covers a broad variety of interventions.¹⁹ As mentioned above, the BMZ AfT concept was not intended to give binding instructions. Hence, the definition of a specific programme logic or a similar framework may not have been deemed necessary or relevant. As a result, the BMZ AfT concept is written as a relative vaguely formulated narrative without an explicit programme logic. While it identifies the constraints to trade and the goals and activities of German AfT, the links between these elements are not spelled out. Moreover, the wording of the BMZ AfT concept is often not very specific, making it difficult to extract clear-cut conclusions and statements on the objectives of German AfT, for example. Terms as “goal”, “approach” and “objective” are used interchangeably.

Nevertheless, the DEval team attempted to reconstruct the logic underlying the AfT concept retrospectively. For pragmatic reasons, the focus is on TRA, i.e. the two first categories of AfT, and the programme logic was therefore only reconstructed for these two categories, based on the structure of the BMZ AfT concept and the semantic links between specific elements within the document. However, as mentioned above, activities, outputs, outcomes and impacts could not clearly be distinguished as these terms appear in the AfT concept in a rather undifferentiated manner. Hence, guidance from other

sources was used to identify activities and results²⁰, primarily by cross-referencing the German strategy with AfT-related evaluations and guidelines from other donors and multilateral institutions (e.g. OECD, 2013). This approach seems acceptable, because AfT contains quite a number of common features among Western donors.

The intervention logic thus derived was condensed in order to provide an overview of the German AfT's strategic approach. It was decided to exclude individual activities, as mentioned in Section 4 of the AfT concept, since they are usually only presented as “examples”. Links between elements on each level are not depicted as they can rarely be inferred from the document. The reconstructed programme logic mainly reflects what can be regarded as the main goals of German AfT on the various levels of the results chain. Figure 1 presents this stylised programme logic.

On the left-hand side, the programme is classified into four areas: activities, intermediate outcomes, final outcomes and impacts. As mentioned above, this programme logic is only based on narrow AfT, i.e. on the first two categories of the WTO's AfT definition (category 1: TPR and category 2: Trade development).

At the activity level of the programme logic, the typical multi-level approach pursued in German development cooperation on the macro, meso and micro levels, which is also reflected in the AfT concept, was adopted. It is based on Section 4 of the AfT concept (p. 7ff) which describes German AfT activities in terms of four areas of support:

1. “Advising secretariats and regional organisations on economic and trade policy” (intergovernmental macro level),
2. “Assistance of partner governments in formulating, negotiating, and implementing trade policies and regulations” (national macro level),
3. “Support of business-oriented trade promotion organisations, public institutions, and private sector organisations” (meso level), and

¹⁷ Similar concepts are regularly referred to as intervention logic, logical framework or results chains. For a more detailed discussion, see Vogel (2012).

¹⁸ By contrast, a programme theory is an explicit theory or model of how a programme causes outcomes (Leeuw, 2003).

¹⁹ As AfT experts from the OECD explained, donors never intended to develop an internationally agreed, joint programme logic for AfT. Instead, they articulated their wish to remain flexible when designing their own programme logic and not to be forced into a constitutional AfT corset.

²⁰ In line with the OECD DAC definitions, results refer to “output, outcome or impact (intended or unintended, positive and/or negative) of a development intervention”.

4. “Helping Small and Medium Enterprises (SMEs) and small-scale farmers” (micro level). As the fifth area of support, the meso and micro level (“Measures for capacity development in productive sectors” are included (p. 8, p. 11)).²¹

Regarding the outcome levels, the strategy specifies that AfT can “improve the partner countries’ capacity to trade and thus its trade performance” [emphasis added].²² Trade capacity is implicitly mentioned on several other occasions, for instance when referring to “strengthened (trade) negotiation capacities and capacities for (trade) policy design” (p. 6) and “assistance of partner governments in formulating, negotiating, and implementing trade policies and regulations” (p. 6). However, the BMZ AfT concept does not define the terms “trade performance” and “trade capacity” which are both rather vague concepts and have not been coherently applied in international discussions.²³

Trade capacity is usually considered to be a necessary (but not sufficient) precondition for trade performance since it potentially leads to improved trade performance in the form of rising export volumes, greater export and import diversification, increased value added of exports, higher firm-level productivity, and reduced rent-seeking.²⁴ These two terms are located at two different levels of the programme logic: “trade capacity” at the level of intermediate outcome, and “trade performance” as “final outcomes”. While this is fairly straightforward, trade capacity building obviously aims to develop a range of very distinct features:

- public sector capacity with respect to trade policy strategising and implementation, resulting in enhanced political and administrative capacity (macro level),
- private sector capacity, in the very basic sense of export production or competitiveness against imported products (= firm or farm production capacity on the micro level), but also in the sense of being able to articulate private sector demand in trade negotiations (meso level), or
- compliance with international norms and standards.

As can be seen in Figure 1, the DEval team was unable to reconstruct the BMZ intervention logic more meaningfully than by putting five building blocks of AfT capacity development of very different types next to each other at the same level of intermediate outcomes although this might not be the exact representation of what policymakers had originally intended.

Finally, like other donors, BMZ aims at poverty reduction and sustainable development in partner countries as the ultimate, overarching goals of its AfT concept. Therefore, these two terms feature, as “impacts” at the top of the programme logic.

The reconstruction of the programme logic is a first attempt to restructure the expected activities, outcomes and impacts of German AfT. However, for a fully-fledged impact evaluation, the depth of this analysis would have to be significantly increased. For example, the programme logic reconstructed from the BMZ AfT concept could be complemented with a comprehensive examination of AfT project documentation in order to identify their underlying intervention logics. This complementary analysis could fill the currently rather abstract programme logic with more specific content and thus provide a better basis for an AfT impact evaluation.

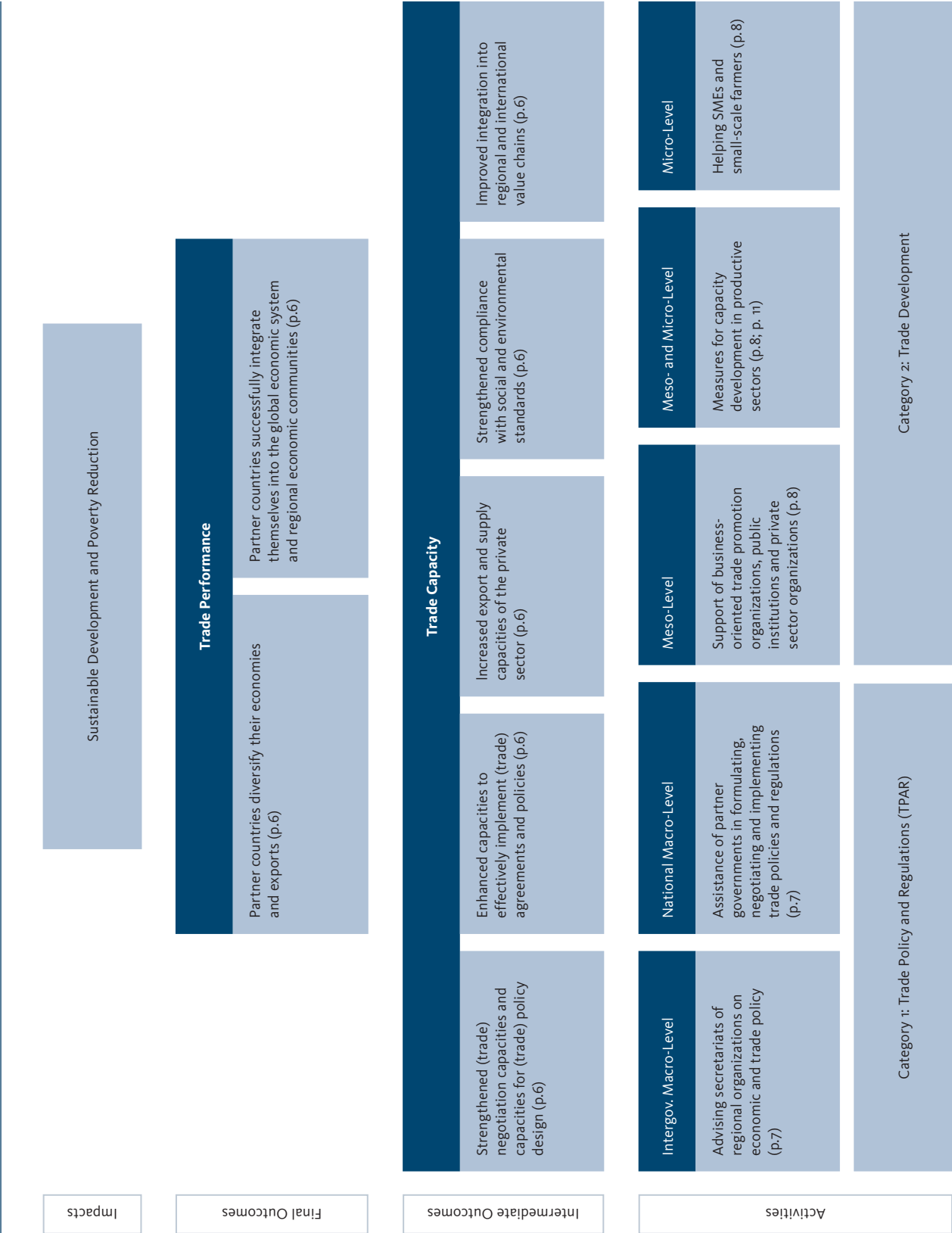
²¹ In the BMZ AfT concept, this fifth area of support is listed under the meso level. However, the evaluation team believes that these capacity building measures are also relevant on the micro level.

²² This understanding of the AfT programme logic is in line with the logical framework for assessing the AfT Initiative identified by OECD (2013) and Gamberoni and Newfarmer (2009).

²³ For example, the WTO refers to trade capacity as the “human, institutional and infrastructural capacity to participate effectively in international trade”.

²⁴ For example, Gamberoni and Newfarmer (2009) use five different measures to evaluate trade performance: (i) real growth of exports of goods and services, (ii) change in export market share of goods and services, (iii) changes in competitiveness in existing goods markets (change in market share), (iv) demand structure (geography and products) of exports (change in market share) and (v) index of export concentration. As other potential indicators, they mention FDI inflows (as % of GDP), real growth in total trade (%) and number of products exported/imported.

Figure 1: Reconstructed and simplified programme logic of the German AFT concept



Source: authors' own compilation from BMZ AFT concept (2011)

3.3

Comparison with other donors' AfT strategies

This section depicts the variety of approaches pursued by AfT donors, with a view to identifying similarities and differences as compared to the German approach. Due to time constraints, not all AfT donors' strategies could be analysed. Instead, six AfT strategies of donors which recently evaluated their AfT support were selected (EU, Finland, United Kingdom, Switzerland, USA and Japan). The review focuses on their thematic and geographic priorities as compared to the German strategy, their approach to specific quantitative and qualitative benchmarks, the method of accommodating AfT in overall development cooperation and their underlying programme logic.

3.3.1 European Union

The EU Strategy on Aid for Trade (EU, 2007) organises its actions under five pillars:

1. increasing the aggregate volumes of EU AfT within the ambitious development commitments to raise overall EU aid gradually,
2. enhancing the pro-poor focus and quality of EU AfT,
3. increasing EU-wide and member states' donor capacity in line with globally agreed aid effectiveness principles,
4. building upon, fostering and supporting ACP regional integration processes with an ACP-specific angle of the Joint EU AfT strategy, and
5. supporting effective AfT monitoring and reporting.

Since the EU Strategy concerns not only the European Commission but also EU member states, it provides the groundwork for the German approach to AfT. Germany as a major EU member was closely involved in its formulation. BMZ actually regarded it as a main starting point for the formulation of its own AfT concept. In that sense, the two documents can be expected to be highly consistent with each other. There is, indeed, a strong overlap in terms of wording and content of objectives ("eradication of poverty in the context of sustainable development") and goals and approaches (in particular strengthening trade policy formulation and negotiation capacities). Both the BMZ concept paper's qualitative commitments

(especially the pledge on TRA) and geographic focus (ACP) are clearly derived from the EU Strategy.

A recent evaluation (EU, 2013) reconstructed the intervention logic²⁵ of EU support to TRA from 2004 to 2010. This exercise resulted in a complex figure (Figure 2) that gives an idea of the TRA focus areas implemented by the EU and of its intended results and impacts.

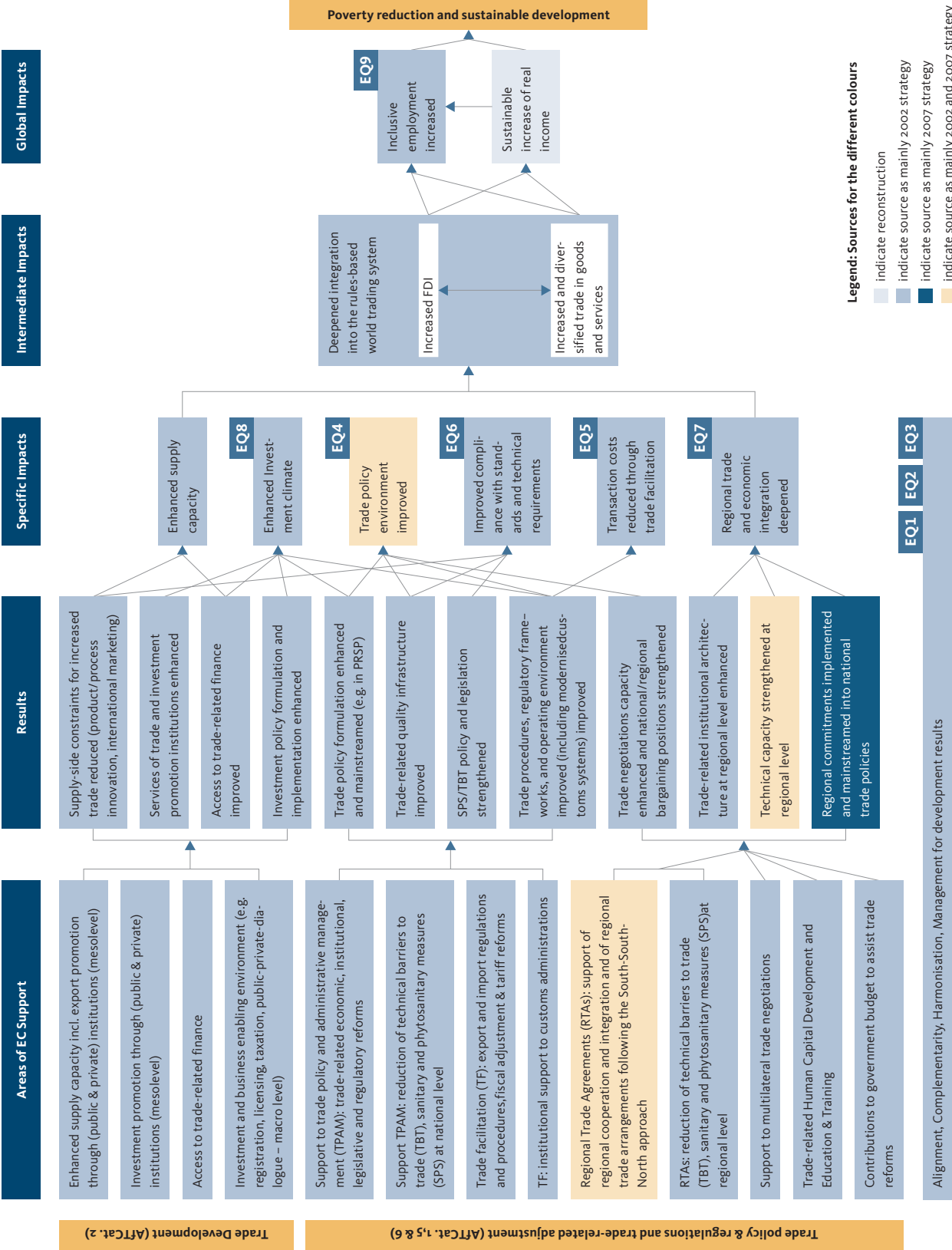
The EU intervention logic covers TRA, hence the narrow definition of AfT, and Trade-related adjustment. It is formulated on the basis of five intervention areas: areas of EC support, global impact, results, specific impacts, and intermediate impacts. The first level, areas of EC support uses AfT-related CRS codes, for instance trade facilitation, trade finance, and trade negotiations. Results are formulated at the next level for these support areas. Interestingly, most "areas of EC [European Community] support" emphasise the macro level approach while the BMZ AfT concept encompasses all three levels (macro, meso, and micro). Results for trade facilitation and support to trade policy and administrative management include "trade policy formulation enhanced and mainstreamed" and "trade-related quality infrastructure improved" – topics which are also among the German AfT priority areas.

These results are condensed into seven specific impacts and two intermediate impacts under the heading "deepened integration into the rules-based world trading system". Generally, the EU intervention logic strongly focuses on regional integration as one of its main TRA support impacts. Results and impacts are not limited to quantitative aspects but also include qualitative elements (for example, "increased and diversified trade in goods and services").

As in the case of German AfT, poverty reduction and sustainable development are envisaged as impacts. Although Figure 2 only features support provided by the European Commission and not by the EU as a whole, the diversity and scale of TRA activities are still impressive and demonstrate the attention paid to trade-related topics in European development cooperation. This can at least partly be explained by the exclusive competence of the European Union in the area of European trade policy.

²⁵ The term "intervention logic" will be used here, as this is used in the EU evaluation.

Figure 2: EU support to TRA: reconstructed intervention logic



3.3.2 Finland

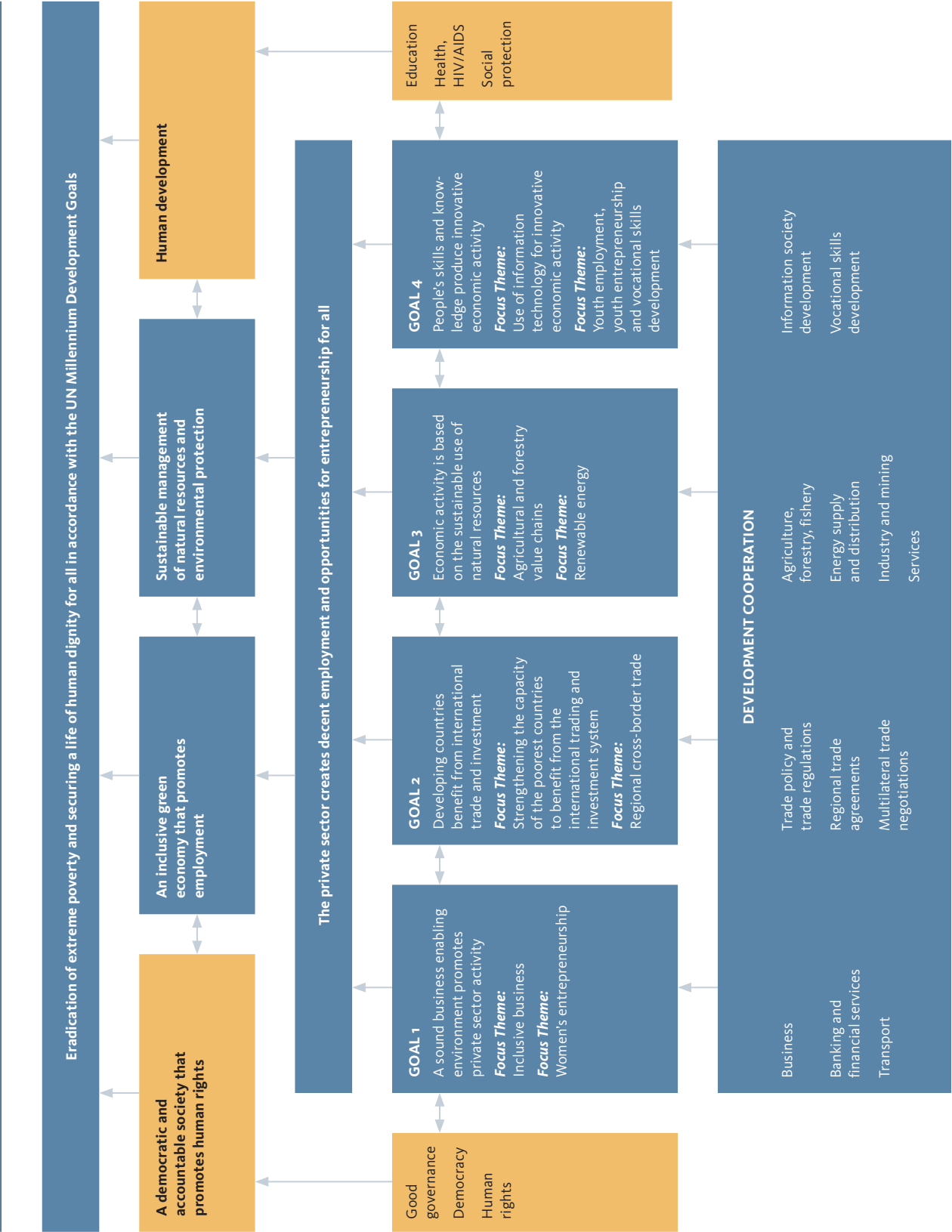
The title of the current Finnish AfT strategy “Creating jobs through private sector and trade development: Aid for Trade – Finland’s Action Plan 2012–2015 (Finland, 2012)” already hints at its focus: The private sector takes centre stage, as an intervention area (private sector development), as a partner and as a source of development financing. It features in the main objective, too: “The private sector creates decent employment and opportunities for entrepreneurship for all”. Four goals²⁶ with two focus themes each substantiate this objective, all accompanied by (non-quantified) indicators. Finland pursues a human rights-based approach, specifically promoting economic, social and cultural rights, and when feasible, civil and political rights and freedoms.

The relations between these elements and their link to the ultimate goal are depicted in a precise results framework in the strategy’s annex (Figure 3). This analytical underpinning stands in stark contrast to the rather narrative and less concrete BMZ concept paper (see Section 3.1). The human rights approach is also reflected in the ultimate goal: the “eradication of extreme poverty and securing a life of human dignity for all in accordance with the UN Millennium Development Goals” (p. 24). While this resembles the final goal of German AfT, its emphasis is slightly different (human dignity, eradication of extreme poverty instead of poverty reduction). In contrast to the German case, green issues feature prominently at the level below the final impact which aims, inter alia, to achieve “an inclusive green economy that promotes employment” (p. 24) and “sustainable management of natural resources and environmental protection” (p. 24).

Finland did not define a specific geographic focus or quantitative commitments for TRA or AfT as Germany did. This can partly be explained by the two documents’ different publication dates. The much more recent Finnish strategy may reflect the international trend away from an emphasis on quantitative AfT commitments towards an in-depth discussion of its quality, including its impacts. This development is also reflected in the prominent role of monitoring and evaluation in the current Finnish approach. In fact, the strategy paper is a follow-up to the 2008–2011 action plan, which was evaluated in 2011. By contrast, as in the case of its other sector strategies, BMZ did not set a deadline for evaluating and/or updating the AfT concept.

²⁶ (i) A sound business-enabling environment promotes private sector activity, (ii) Developing countries benefit from international trade and investment, (iii) Economic activity is based on the sustainable use of natural resources, and (iv) People’s skills and knowledge produce innovative economic activity.

Figure 3: Finland's Action Plan results framework



Source: Finland (2012, p. 24)

3.3.3 United Kingdom

The Department for International Development (DFID) was one of the first donors to publish a strategy paper dedicated to AfT (DfID, 2008), doing so in 2008. However, it only covered the period from 2008 to 2013 and has not been revised since.

The paper exhibits typical features of these early years of AfT, in that it formulates specific quantitative commitments, including a separate goal for TRA. It pledges to increase AfT spending to GBP 409 million a year by 2010, of which at least GBP 100 million a year would be spent on TRA. However, when defining priority AfT categories, it does not count trade development as a separate category, but subsumes it under “productive capacity building and adjusting” for which it earmarks 40 percent of total AfT²⁷. It pledges to spend a high percentage (around 70 percent) of AfT through multilateral partners – a clear difference from the German approach. As in the case of Germany, the regional AfT focus is on Africa, where DFID planned to spend 55 percent of its AfT. DFID did not formulate an underlying analytical model for its AfT interventions but, instead, refers to concepts from international AfT discussions.

3.3.4 Switzerland

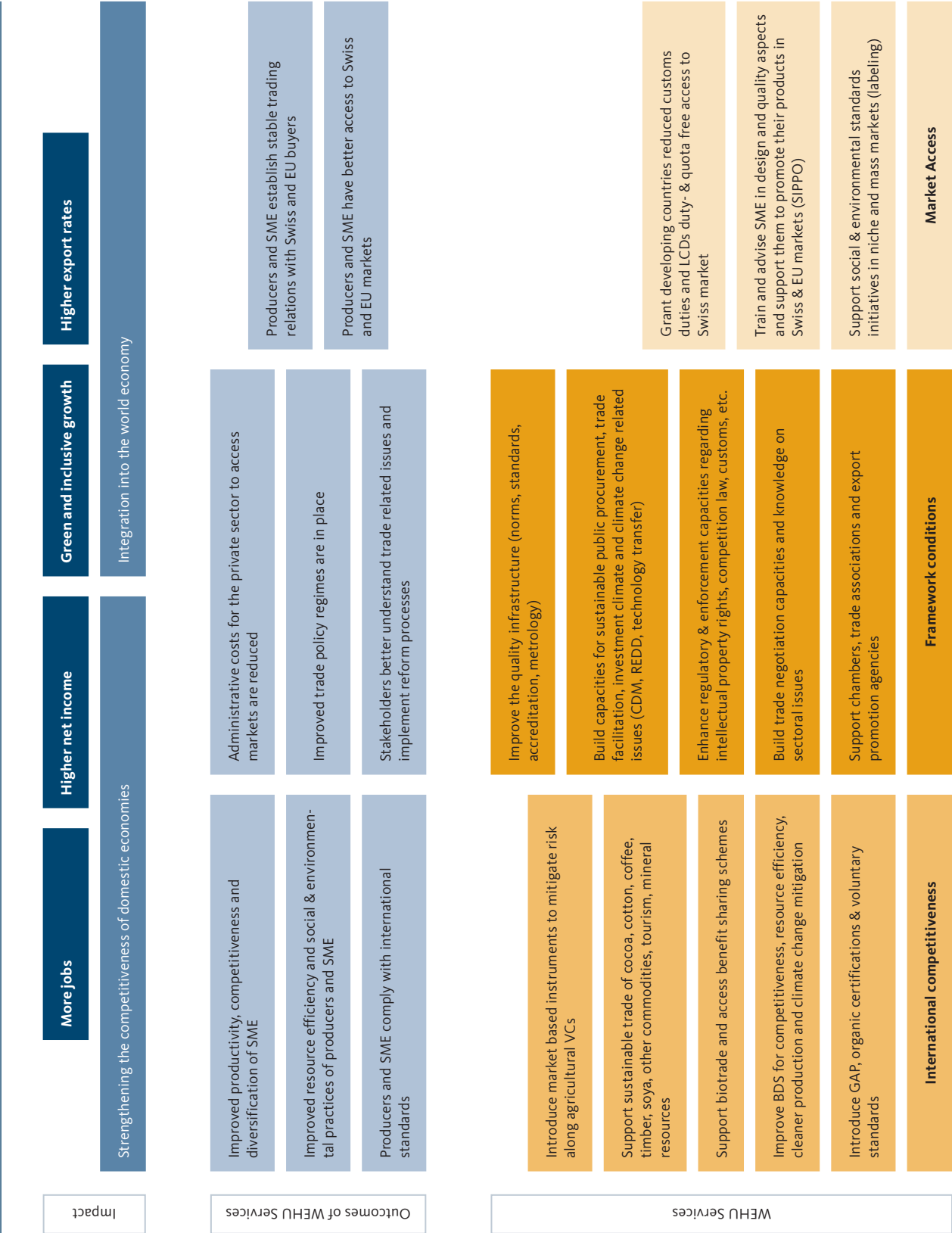
The State Secretariat for Economic Affairs (SECO, Staatssekretariat für Wirtschaft) or, more precisely, its Sustainable Trade Promotion Department (WEHU) is in charge of Swiss AfT. Hence, in contrast to Germany, Swiss AfT is handled by an institution which specifically focuses on economic matters and is not part of general development cooperation. By the same token, AfT is not being mainstreamed into other priority areas but is treated as a field of its own within economic development cooperation. Yet no separate strategy paper exists as the basis for AfT. Instead, the strategic direction of WEHU with regard to trade-related development assistance is described in a number of different papers. A recent evaluation (Finkel et al., 2013) was tasked with summarising and assessing WEHU's strategic direction. This analysis draws on the Swiss approach as portrayed in that evaluation (see also Chapter 2).

WEHU carries out its interventions in accordance with three separate business lines (see the results model in Figure 4):

1. “Framework conditions” cover aspects similar to those pursued by German AfT such as strengthening capacities to negotiate, implementing trade policy and generally improving framework conditions. However, Switzerland deals more explicitly with competition law and intellectual property rights. Regional economic integration and border management receive less attention.
2. “International competitiveness” can be compared to the German AfT priority to incorporate the potential of export markets into measures for developing productive capacities. Like Germany, it attaches great importance to global value chains and international standards, but focuses more on green and resource efficient production. This raises the question whether international standards and quality infrastructure might, in fact, not be such a unique feature of German AfT as is commonly assumed.
3. “Market access” aims to improve trade relations and developing countries' access to foreign markets, particularly Swiss and EU markets. This is a particularity of Swiss AfT not reflected in the German strategy.

²⁷ In addition, 15 percent of total AfT are foreseen for “trade policy and regulation” and 45 percent for “economic infrastructure”.

Figure 4: WEHU results model



Source: Finkel et al. (2013, p. 9)

Geographically, WEHU has focused on the middle-income countries Egypt, Ghana, South Africa, Indonesia, Viet Nam, Colombia and Peru since 2009. In 2013, Tunisia was added to this list. WEHU also operates in the Western Balkans, Eastern Europe and Central Asia. Upon request, it complements the activities of the Swiss Agency for Development in selected low-income countries. This approach is significantly different from the German one, which focuses on the poorest countries. Moreover, Swiss AfT is implemented through multilateral channels to a much larger extent than German AfT.

Below, the US and the Japanese approach to AfT will be described, as the United States and Japan are among the largest AfT donors. However, as information on both donors is scarce, the knowledge gain for German AfT support is limited.

3.3.5 USA

In contrast to the donor strategies described above, the US approach entails the full integration of AfT into its development assistance framework and is not a stand-alone area. The Strategic Framework for Foreign Assistance regards AfT/trade capacity building (TCB) as a priority objective for economic growth which, in turn, is one of the five main pillars of this strategic framework. On the basis of this strategic framework and on a US TCB strategy from 2003, the US Agency for International Development (USAID) formulated its “Economic Growth Strategy, Securing the Future: A Strategy for Economic Growth” in 2008 which also touches upon AfT-related subjects. No separate AfT strategy paper exists.

3.3.6 Japan

Japan announced its “Development Initiative for Trade” prior to the WTO Hong Kong Ministerial Conference in December 2005 and the subsequent “Development Initiative for Trade 2009” in July 2009.

As the English translation of the original text is not available online, the evaluation team extracted further information on the Japanese initiative from the OECD questionnaire and from the responsible Japanese International Cooperation Agency (JICA).²⁸ Japan’s development cooperation has no separate trade sector; instead, trade activities are conducted as part

of private sector development and are strongly aligned to private-public programmes.

Traditional partner regions are South-East Asia and East Asia. However, Japan has recently pledged to double ODA to African countries.

Discussion

To sum up, there are certain similarities between the (reconstructed) programme logic of BMZ’s AfT concept and other donors’ AfT frameworks. For example, higher-level outcomes are mainly formulated as “poverty reduction and sustainable development”. Inputs and outcomes levels largely depend on the development intervention’s thematic focus. However, the specific donor approaches have diverged over time: While earlier AfT strategies still showed strong similarities and were tightly aligned to the international AfT initiative, some donors (Finland, Switzerland) have recently developed their own, more distinct approach. They have re-interpreted the AfT initiative and added their own political priorities (e.g. private sector development in the case of Finland) to the “classics” of AfT topics.

By contrast, the BMZ AfT concept can be regarded as a “first generation paper”: It still incorporates the traditional AfT agenda and is strongly aligned to the WTO and EU approaches. As a major EU member, Germany was strongly involved in the formulation of the EU Strategy. While this alignment is desirable, some of the additional topics addressed by other donors could add value to a (revised) German AfT approach. For example, stronger integration of green and inclusive growth issues – provided this is in line with partner countries’ needs and demands – could ensure the sustainability and long-term perspective of trade-related interventions (Finkel et al., 2013). By the same token, social standards such as the International Labour Organization (ILO) core labour standards could be integrated into the BMZ AfT concept.

Moreover, unlike some other European donor strategies, BMZ’s AfT concept does not address the coherence of European trade policy with development policy. However, access to EU and in particular to German markets is important to increase partner countries’ trading opportunities. Increasing

²⁸ Available at <http://www.oecd.org/trade/afT/43149672.pdf> and http://www.jica.go.jp/english/our_work/thematic_issues/private/activity.html (last accessed 18 August 2014).

access to German markets is proven to be beneficial for German consumers and producers as well (Martínez-Zarzoso, Nowak-Lehmann D., Klasen & Johannsen, 2013). No new policy instruments would need to be developed in order to build closer links to domestic and international markets. Instead, existing trade policy instruments such as the Import Promotion Desk should be integrated into the German AfT approach,²⁹ automatically leading to higher synergies between different stakeholders in the field of trade policy. Furthermore, the BMZ AfT concept hardly considers the general (regulatory) frameworks for increasing foreign direct investment (e.g. intellectual property rights (IPR), contract enforcement, red tape), but mentions foreign direct investment only in the context of competitiveness of local enterprises.

All in all, compared to other donors' current AfT strategies, the BMZ German AfT concept appears highly consensus-based and partly lacking in focus, firm objectives and indicators (unlike the Finnish case, for example). It would therefore benefit from a revision which would also offer the opportunity to reflect on the possible inclusion of current topics such as green and inclusive growth, investment and coherence between trade and development policies.

²⁹ More information at: <http://www.ixpos.de/IXPOS/Navigation/DE/Ihr-geschaeft-im-ausland/Abnehmer-und-partner-finden/Kontaktveranstaltungen/import-promotion-desk.html> (last accessed 25 September 2014). Other instruments may include the international manager training programme financed by the Federal Ministry for Economic Affairs and Energy (<http://www.ixpos.de/IXPOS/Navigation/DE/Ihr-geschaeft-im-ausland/Abnehmer-und-partner-finden/Kontaktveranstaltungen/Exportinitiativen/managerfortbildungsprogramme.html>) (last accessed 25 September 2014).

4.

MAINSTREAMING AFT
WITHIN BMZ

Mainstreaming AfT within BMZ was one of the main goals of the BMZ AfT concept and would ideally lead to the incorporation of trade-related aspects in all relevant BMZ policy papers that serve as the basis for designing and implementing German development measures. This chapter analyses whether this has actually happened with regard to BMZ thematic concept papers relevant to the AfT initiative (see Section 4.1) and BMZ country strategy papers and priority area strategies (see Section 4.2). It also briefly examines partner country strategies in order to verify whether the trade focus of BMZ country strategy papers correlates with partner countries' ownership of AfT.

Although the BMZ AfT concept was designed as a main tool for integrating AfT into German development cooperation, it was never intended to bring a swift change of development policy course. Instead, it is one step in a continuous process to embed trade in aid. This is suggested by the German answers to OECD AfT questionnaires between 2007 and 2013, which are relatively similar over time. Goals and approaches did not change abruptly but have remained comparatively stable since 2007, despite the preparation of the AfT concept in 2011. There are two main reasons for this continuity: First, there was a significant time gap between the elaboration of the GDI study (Voionmaa & Brüntrup, 2009), which served as a basis for the BMZ AfT concept, and the publication of the strategy in 2011. The results of the GDI study were, however, slowly incorporated into German development cooperation even before the publication of the official AfT concept and are reflected in the questionnaires from 2009 onwards. Second, the BMZ AfT concept is strongly oriented towards the 2007 EU AfT strategy, which served as the guiding document for German AfT prior to 2011 (OECD Questionnaire, 2007 and 2009).³⁰ As a result, the general goals and approaches of German AfT have not radically changed with the adoption of its own strategy. This fact also underlines the aim of the strategy to serve as a communication tool for mainstreaming trade within German development cooperation rather than to formulate a new AfT approach.

Below, BMZ thematic concept papers, country strategy papers, and priority area strategies are analysed to assess the success of mainstreaming AfT within BMZ, focusing on documents published after the launch of the AfT initiative in December 2005. A simple content analysis was applied to the documents. A count of keywords such as “trade”, “exports”, “quality infrastructure” and “regional integration” provided a first overview of the papers' structure. In a second step, the sections where the keywords appeared disproportionately often were subjected to a more thorough examination. They were read and interpreted in detail to identify whether and how they take into account trade and other aspects related to international economic relations. The analysis of country strategy papers and priority area strategies was confined to a sample of countries selected for the purpose of this study (see Box 3). Mainstreaming is regarded as successful if trade was (sufficiently) taken into account, provided that such a trade dimension could have reasonably be expected in that particular case.

4.1

BMZ thematic concept papers

Seven thematic concept papers published after the launch of AfT in December 2005 were identified as relevant to AfT due to their overlap with trade-related topics mentioned in the BMZ AfT concept (see Annex Table 7 for a list of analysed papers). With the exception of one paper on pro-poor growth (2006), all date from 2011 or later, which means that they were published after the implementation of the BMZ AfT concept.

Two papers focus specifically on poverty issues, one on pro-poor growth (2006) and another more generally on poverty reduction (2012). The first does not incorporate trade or other issues related to the international economy, possibly due to its relatively early publication date. However, its approach appears consistent with the basic idea of AfT, namely to reduce poverty by integrating the poorest into (global) markets. A detailed discussion of international issues may have been beyond the scope of this fairly brief paper but could still have added a valuable perspective to the discussion. The paper dealing with poverty reduction on a more general basis

³⁰ “The joint EU AfT strategy with a clear pro-poor focus and orientation to the MDGs is the baseline for German financial contributions, AfT approach, priorities and delivery mechanisms” (OECD Questionnaire, 2009).

includes some references to international economic relations. It emphasises the need to strengthen the capacity of policy makers to foster growth and trade in order to include as many people as possible, and in particular poor people, into national and international economic exchange. In other words, without specifically mentioning AfT, the paper seems to be mindful of the trade dimension.

Aid for Trade has a low profile throughout the two papers on agriculture, both of which lack any discussion of the potential afforded by regional trade. The concept paper on the development of rural areas and their contribution to food security (2011) touches only marginally upon international markets and trade policy. A similar point can be made regarding the concept paper on sustainable agricultural development (2013). While international and EU policy are mentioned, as is cooperation with international companies, a more in-depth discussion of the possible contribution of trade to agricultural development could have been expected from this very recent paper.

By contrast, the other three documents deal in-depth with mainstreaming of AfT. The strategy paper on extractive resources in German development cooperation (2011) devotes an entire chapter to trade in natural resources and the potential role that development cooperation can play through AfT. The term “Aid for Trade” is mentioned on two occasions. The paper dealing with the private sector as a development policy partner (2011) also includes a long reference to Aid for Trade. Similarly, one of the key papers, the sector concept on private sector promotion (2013), makes specific reference to AfT, for example when describing its strategic approach to improve the framework conditions for foreign investment and trade. It also refers to regional economic integration and to global value chains. This extensive coverage of trade is very welcome in this core paper for German AfT, which is an important reference document for projects in the area of sustainable economic development.

To conclude, AfT has been successfully mainstreamed in the papers dealing with private sector development. However, it has encountered stronger resistance within the agriculture

community since related papers do not sufficiently consider the potential of regional and international markets.

4.2

BMZ country strategy papers and priority area strategies

As mentioned above, this study only analyses country strategy papers on the twelve countries included in the sample after the launch of the AfT initiative in December 2005 (see Annex, Table 8, for the list of papers). They include seven country strategies on Asia and Africa.³¹ All these countries have a trade-related BMZ focus area such as sustainable economic development, rural development, or private sector development and are therefore relevant to German AfT. However, only one country strategy paper (Mongolia 2012) dates from after the official release of the BMZ AfT concept in 2011 and can thus be expected to take into account the AfT priority areas defined in the AfT concept. The six other papers were written between 2006 and 2010, i.e. after the launch of the AfT initiative in December 2005, but before the publication of the BMZ AfT concept.

Although the term “Aid for Trade” is not mentioned in any paper, all the papers refer to related terms such as “trade”, “exports”, “quality infrastructure” and “regional integration” (the simple search method is shown in Table 8). The Senegal document (2006) covers trade aspects in an analysis of the economic framework conditions, not as a German priority. The early date of publication may be the reason for the still relatively weak integration of AfT. The Namibia strategy paper (2006), an equally early document, emphasises regional economic integration. The Mozambique strategy paper (2007) is one of the papers with the least focus on trade aspects, making no mention at all of related issues. The overall aim of German development cooperation in Ethiopia (2008) is to enhance the productivity and competitiveness of the economy, with trade barriers such as high trading costs and complicated trading procedures being some of the elements taken into account. Trade and regional economic integration are dealt with in the analysis of the framework conditions in Rwanda (2009), but are not a specific focus of German development

³¹ Four country strategy papers were written in 2005 or earlier and are therefore not included in the analysis: Tajikistan (2005), Burkina Faso (2005), Uganda (2004), and Ghana (2005).

cooperation. The case of Nepal is of particular interest since it is the only country worldwide where trade is defined as a priority area of German development cooperation (BMZ website³²). However, the country strategy paper dates back to 2010, before this priority area had been chosen, and does not reflect this priority. The aim of the strategy paper for Mongolia (2012), which is the most recent paper reviewed, is to support sustainable, broad and resource-based economic growth, for example through integration into international resource markets. Trade and related international aspects thus appear to be well accounted for.

In addition, nine priority area strategies for seven countries were analysed.³³ While the strategies on agriculture and private sector development in Ghana date back to 2004 and are not relevant for this study, the strategies on Rwanda, Senegal, Mozambique, Laos, Namibia, Burkina Faso and Ethiopia were written between 2009 and 2012 (see Annex, Table 8 for the list of strategies).

Trade-related terms do not feature in the transport strategy for Namibia and in the agriculture strategies for Burkina Faso and Ethiopia. The Laos rural development strategy mentions trade only once in the context of challenges and opportunities.

Conversely, all strategies on sustainable economic development incorporate trade aspects to a certain degree, even though the term “AfT” is only mentioned in the case of Senegal (2009). However, the focus in Senegal is not on trade-related issues, as already noted above. The Namibia strategy on sustainable economic development (2012) does not specifically highlight the German engagement in trade-related activities either. By contrast, the Mozambique (2012), Rwanda (2009) and Laos (2011) strategies on sustainable economic development refer to trade-related activities several times. Interestingly, the Mozambique strategy highlights various trade aspects, while the country strategy does not refer to any of them. One of the aims of German development cooperation with Mozambique – defined by two trade-related indicators

– is to improve trade prospects for the private sector. Even though the Rwanda strategy dates back to 2009, it clearly incorporates indicators on trade and brings up trade-relevant aspects related to quality infrastructure, resource management, and macroeconomic consulting. The priority area strategy that sets the framework for German–Lao cooperation on sustainable economic development (2011) refers to the potential for and obstacles to trade several times, including a discussion of the demand for food and agriculture products in regional markets. It pursues a highly innovative approach by defining a number of objectives and indicators for German–Lao cooperation, including some on trade-related matters.³⁴

National development strategies

To complement the analysis of BMZ country strategy papers and priority area strategies, the way in which these partner countries integrate trade into their own national strategies was reviewed (see Annex, Table 9). This sheds light on the question whether BMZ’s emphasis on trade matters corresponds with the demand voiced by partner countries in their national strategies. Certainly, such an approach has some limitations in terms of portraying the real needs of partner countries as opposed to only the stated intention of their governments. Nonetheless, since national development strategies ought to be and generally are the outcome of comprehensive national efforts, they can be regarded as an indication of the importance attached by the country concerned to trade.

Some partner countries demonstrate clear ownership of AfT in their national development strategies by dealing extensively with trade in these documents. Ghana, Laos, Nepal, Uganda and Rwanda formulated a clear strategy on trade and/or integrated trade issues in their overall development plans. This includes the definition of trade targets and an analysis of the main obstacles to trade. In four other countries (Burkina Faso, Ethiopia, Senegal and Tajikistan), development plans take trade into account, but to a lesser extent. Surprisingly, given the importance of exports for their national economies, Mongolia, Mozambique and Namibia integrate trade poorly or

³² http://www.bmz.de/en/what_we_do/countries_regions/index.html (last accessed October 2014).

³³ No priority area strategies were provided for the other five countries included in the country selection.

³⁴ For example, two objectives of the Lao–German Joint Strategy for the Priority Area “Sustainable Economic Development”:

i. “The share of small and medium-scale enterprises, especially in promoted industries and/or value chains, which export either directly or via trading firms, has risen from 3 % (2009) to 10 %.” (Source: Enterprise Surveys, 2011, 2013, 2015).

ii. “The share of small and medium-scale enterprises in Laos which apply internationally recognised environmental and social standards has increased from xx % (2011) to yy %” (Source: Specific study to determine initial value, to be integrated into subsequent enterprise surveys).

very poorly into their national development plans. Overall, it is important to note that the importance paid to international trade varies depending on the partner country's size, level of development, economic structure, and resource endowment.

When analysing the success of AfT mainstreaming in German development cooperation, the degree of partner countries' ownership has to be kept in mind since aid allocation decisions should first and foremost be guided by partner country needs and less so by donors' political benchmarks. The German approach to AfT in countries with weak integration of trade in their own national policies is therefore expected to differ from that applied in countries where trade is clearly high on the national agenda. There is some evidence of this correlation: The strong trade focus of national development strategies in Laos, Nepal and Rwanda is reflected in BMZ's strategies for these countries. This alignment can also be observed in the case of Senegal, where both BMZ and Senegal put their emphasis on issues other than trade, at least if these policy documents are regarded as a single indicator of national priorities. By contrast, Mozambique places little emphasis on trade-related aspects, whereas the German-Mozambican strategy on sustainable economic development highlights activities in this field.

To conclude, trade aspects seem to have been successfully mainstreamed in BMZ thematic concept papers and priority area strategies on sustainable economic development, but feature to a much lesser extent in strategies dealing with agriculture. This suggests that, while much has already been achieved, room for improvement exists in the area of agricultural development. However, no final conclusion can be drawn with regard to country strategy papers since their analysis is based on a relatively small sample size (seven mostly out-of-date documents). They therefore do not provide comprehensive information on the integration of AfT in German development cooperation. Future research on German AfT may also benefit from looking at regional strategy papers. Likewise, while the analysis of partner country strategies provides some

interesting insights, it should be complemented by a more multi-dimensional analysis of partner countries' needs and of the in-country division of labour among donors. This is of importance because a sufficient coverage of trade issues by other donors would justify a German focus on matters other than trade.

5.

THE GERMAN AFT PORTFOLIO

This chapter gives an overview of international and German AfT support throughout the period from 2008 to 2012. It is intended to provide insights into whether BMZ has succeeded in guiding the German ODA portfolio towards priority regions³⁵ and topics³⁶ defined in its AfT concept. It focuses on the period since 2008, when the trade development marker (distinguishing narrow from broad AfT) was introduced.

As trade is not a separate sector of German development cooperation, data on AfT funding is not centrally collected and analysed. OECD CRS data³⁷ (see Section 5.1) and executing agencies' project information (see Section 5.2) were used as primary sources for the quantitative part of the analysis. While the main analysis focuses on German AfT flows, a brief discussion of international AfT data serves as a reference point for comparison with the German contribution.

In addition to quantitative data, Section 5.2 draws on various forms of documentation (project proposals/offers, progress reports, evaluations) of BMZ-funded KfW and GIZ projects. Due to the wealth of information, the analysis was limited to projects in twelve financial cooperation and seven technical cooperation countries and to the two executing agencies (KfW and GIZ) (for a discussion of this methodology, see Section 1.2).

5.1

The German AfT portfolio according to OECD CRS data

The OECD CRS database collects aid statistics on a comparable basis for all major donors and is the most comprehensive source of statistics on aid, including AfT.³⁸ Data is collected at individual project level.

When working with OECD CRS data, several limitations need to be considered: There is no detailed disaggregation at the

level of executing agencies. This means that the organisation through which AfT is channelled cannot be reliably identified. Moreover, it must be borne in mind that BMZ funds only account for 54 percent of total German ODA (OECD, 2010). As discussed in this analysis, ODA is provided not only by BMZ but also by other ministries and by the German federal states (Länder). This difficulty in interpreting the data at a more detailed level is exacerbated by the fact that fields for project description entries, where the projects ought to be briefly described, are often empty or entries do not adequately depict the project or are meaningless.

Furthermore, the CRS database only lists concessional flows and is limited to OECD DAC member countries, excluding donors such as China and Russia. In addition, CRS data only contains non-core multilateral contributions, rather than covering all multilateral contributions.³⁹ As data on non-core multilateral flows did not prove sufficient for a thorough analysis of multilateral AfT support, the following analysis primarily covers bilateral German ODA. A word of caution should be added to the above comments and the statistical explanations below: The statistical analysis of AfT is only one side of the coin; qualitative evidences, e.g. in project documents, is the other. Statements made in Sections 5.1 and 5.2 below should be treated with caution, as they were derived solely from statistics (except for the document analysis in Sections 5.2.2 and 5.2.4).

Having said that, the CRS database is certainly the most comprehensive source for an analysis of AfT at a more aggregate level. From 2008, it provides access not only to data on total AfT but also on TRA (the narrow definition of AfT). This was made possible through the introduction of the trade development marker (TD). It was needed because, by definition, AfT categories two ("Trade development") and four ("Building productive capacities") comprise projects with the same CRS codes. The difference between the two comprises the extent

³⁵ In line with the EU Strategy on AfT, Germany pledged to make available at least half of the increase in TRA funding (from the baseline year 2005) for the African, Caribbean and Pacific (ACP) Group of States, particularly in sub-Saharan Africa (BMZ, 2011, p. 7).

³⁶ Regional economic integration and EPAs, trade facilitation, quality infrastructure, incorporation of the potential of regional and international export markets into measures for developing productive capacities e.g. through the value chain approach (BMZ, 2011, p. 10 f).

³⁷ By definition, the following CRS codes and their sub-categories belong to the broader AfT definition: 331xx ("Trade policy and regulations"), 240xx ("Banking and financial services"), 250xx ("Business and services"), 31xxx ("Agriculture, forestry, and fishing"), 32xxx ("Industry, mining, construction"), 33210 ("Tourism policy and administrative management"), 210xx ("Transport and storage"), 220xx ("Communication"), and 230xx ("Energy"). For more information, see WTO (2006) and <http://www.oecd.org/trade/afT/aid-for-trade/statisticalqueries.htm>.

³⁸ An up-to-date analysis of AfT at the European level, based on figures from 2012, can be found at: http://ec.europa.eu/commission_2010-2014/piebalgs/multimedia/pdf/eu-accountability-report-2014-on-financing-for-development_en.pdf (last accessed 26 September 2014).

³⁹ ODA earmarked for a sector, theme, country, or region and channelled through a multilateral institution is reported as bilateral ODA and referred to as non-core multilateral ODA or multi-bi ODA (http://www.oecd.org/dac/aid-architecture/Germany_Non-Core_20130513.pdf (last accessed 18 August 2014)).

to which the projects explicitly target trade: Category two includes only projects that are considered directly relevant to trade, while all others are attributed to category four. Thanks to the TD, the trade-related projects with relevant CRS codes can be marked as TD-0 (trade-neutral), TD-1 (trade as secondary goal) or TD-2 (trade as main goal). A few CRS codes such as 25010 (“Business support services and institutions”) are automatically assigned TD-2. All projects marked as TD-1 or TD-2 are allocated to AfT category two, i.e. TRA.

When interpreting CRS data on TRA, it must be borne in mind that the term “trade relevance” as a basis for setting the TD is vague and that its specific scope is difficult to grasp. Let’s take the example of CRS code 25010: It is overly optimistic to assume that all efforts to support business services, including SMEs and the informal sector, are by definition of high (TD-2) relevance to international trade. Moreover, as will be seen in Section 5.2, the TD setting tends to differ among German stakeholders, and its implementation is not reviewed internationally.⁴⁰ While it is important to keep in mind these challenges in applying the TD, the purely quantitative analysis in Section 5.1 still has to rely on the data which donors report to the OECD, regardless of their different practices when self-interpreting the TD and the resulting effects on the size of their TRA portfolios.

The analysis of CRS data below includes a description of international and German AfT data with regard to their overall AfT development, followed by a breakdown of German AfT support into regions, priority areas, types of aid, and multi-lateral versus bilateral channels. All data in Section 5.1 was retrieved from the OECD CRS database and complemented by information from the OECD/WTO global AfT review report 2013 (OECD & WTO, 2013).

Putting German AfT into perspective: The development of international AfT

Although the declaration issued at the WTO Ministerial Conference in 2005 called for additional financial resources for AfT, partner countries and non-governmental organisations (NGOs) repeatedly question whether this additionality has really materialised (see Chapter 1). However, OECD and WTO (2013) confirm that donor countries have actually delivered

additional resources, at least with regard to the wide definition of AfT and the period to 2011: AfT funding increased by 57 percent in 2011 compared to the AfT average between 2002 and 2005. OECD and WTO (2013) also indicated that, in 2011, the G20 group failed to meet the target announced at the G20 Summit in Seoul one year earlier where they had agreed to at least maintain AfT levels at the average of the period 2006–2008 beyond 2011 (OECD & WTO, 2013, p. 75). In fact, AfT funding provided by the G20 was down by 24 percent in real terms (USD 7.3 billion) compared to 2010.

Generally, international ODA slowed in 2011, also affecting AfT disbursements (Figure 5). With regard to fluctuations of single AfT categories, disbursements to “Trade-related infrastructure” and “Building productive capacity” (including “Trade development”) increased until 2010. In 2011, ODA dedicated to “Building productive capacity” remained at 2010 levels while disbursements to “Trade-related infrastructure” decreased compared to 2010. This was still due to the global financial crisis (OECD and WTO (2013, p. 22).

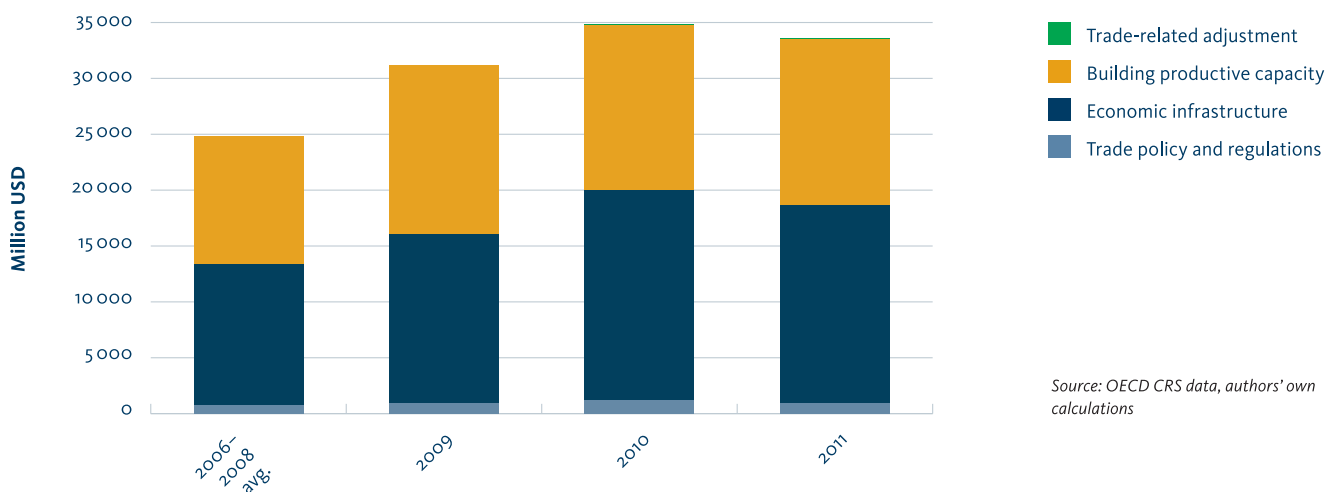
To put these figures into perspective, a number of important qualifications have to be made. Taking the data in Figure 5 at face value, it would seem that the AfT category “Trade policy and regulations” is negligible, marginalising an undisputed core dimension of AfT. This is probably not an accurate picture. Such projects often provide less costly technical assistance, which can be very effective when the right advice is given and taken up by partner governments. Its efficiency might be near-infinite when introducing “stroke-of-the-pen” (= almost no cost) reforms, provided they go in the right direction and are not simply furthering outright trade liberalisation. On the other side of the balance sheet, all projects dealing with investment promotion or other aspects of productive capacity building are conventionally labelled AfT. The same applies to all physical infrastructure – transport, communications, energy etc. – whether or not the rail or road built leads to the border, or the telephone or electricity transmission line crosses into a neighbouring country. This invites occasional misunderstandings as to whether AfT also covers trade in the intra-national sense or even retail trade – cases that will be revisited below. The AfT philosophy is that if a country ultimately has more firms and better infrastructure, this boosts exports and imports.

⁴⁰ The OECD directive on TD setting can be found at: <http://www.oecd.org/dac/stats/39961177.pdf> (last accessed 24 September 2014).

The consequences of taking such a bold approach to the definition are obvious: Trends in AfT categories may well reflect evolutions in the international aid business which occur more or less independently of the initial AfT agenda. The overall increase in funding for “Building productive capacity” until 2010 reflects the donor countries’ giving priority to private sector development in the second half of the decade, including activities in the agriculture, fishery and forestry sectors. Indeed, after the 2007/2008 food crisis, donors started to rediscover agriculture proper and to increase their support

for the agricultural sector, re-emphasising the importance of rural development and food security (OECD & WTO, 2013, p. 63). Similarly, considerably increasing infrastructure spending, despite the downturn in 2011, may reflect recent concerted efforts to close “Africa’s infrastructure gap”. Only the near-absence of AfT category 5 “Trade-related adjustment” accurately depicts the fact that structural adjustment like spending for trade-related purposes has scarcely taken place and was often not desired by developing countries.

Figure 5: International AfT disbursements (2011 constant prices)



Development of total German AfT

Although all the caveats on AfT definitions should be kept in mind, Germany is nominally one of the three leading AfT donor countries worldwide, outperformed only by Japan and the USA based on their reported figures. It contributed 8 percent of global AfT disbursements between 2006 and 2011, totalling USD 14 billion (OECD & WTO, 2013).

German ODA as a percentage of GNI has been rising since the early 2000s (Figure 6). The only exceptions are decreases in 2009, due to reduced debt relief and in 2012, when ODA fell from 0.39 percent to 0.37 percent of GDI.⁴¹

Although AfT is not a separate sector within German development cooperation, it is allocated a relatively high proportion of GNI (between 0.03 percent and nearly 0.09 percent). In comparison, global health-related ODA is targeted at 0.1 percent of GNI.

The German target to spend at least EUR 220 million per year on TRA from 2010 was easily met with average TRA flows of EUR 515 million per year between 2008 and 2012. However, TRA fluctuated significantly over time. It rose to its highest level (USD 835 million) in 2009 and then started to decrease to as low as USD 587 million in 2012.⁴²

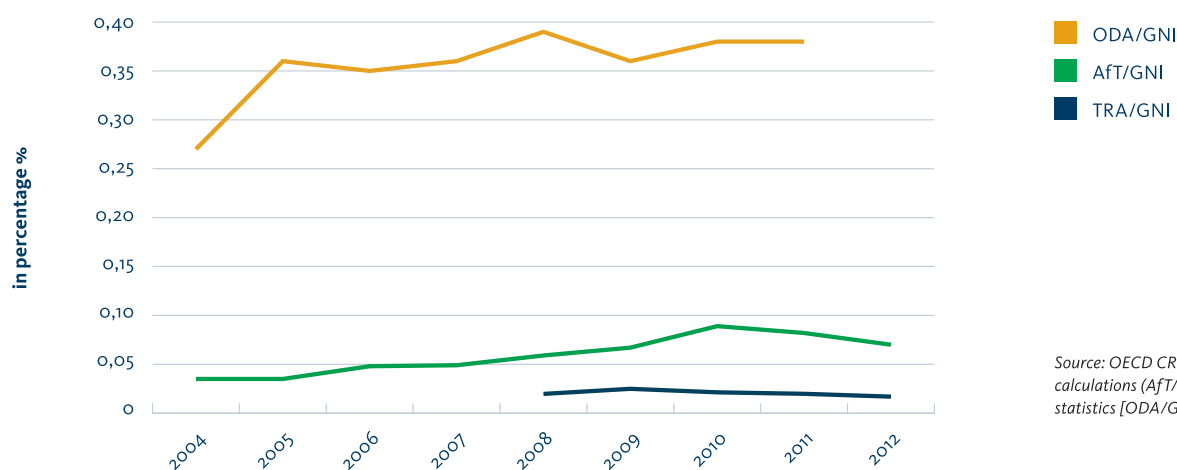
⁴¹ The authors could not reconstruct the ODA/GNI share shown in Figure 6 by using overall German ODA disbursements and GNI figures from the German Federal Statistical Office. Variances between the official German ODA and that included in CRS may be due to data differences in bilateral and multilateral disbursements (as mentioned in BMZ official statistics). This analysis therefore relies on the official figures provided by BMZ.

⁴² German TRA disbursements over time: USD 712 million (2008), USD 835 million (2009), USD 718 million (2010), USD 673 million (2011), USD 587 million (2012). Source: authors' own calculations, based on OECD CRS, 2014.

The BMZ AfT concept also stipulates that TRA should rise in proportion to overall ODA (BMZ, 2011, p. 7) in order to mitigate the risk that other sectors could be adversely affected by an increase in aid for trade-related projects. Because TRA/GNI

has slightly fallen since 2009 and ODA/GNI has experienced an overall increase in the same period, non-TRA sectors do not seem to have been negatively affected.

Figure 6: ODA/AfT/TRA as a percentage of German GNI



Source: OECD CRS data, authors' own calculations (AfT/GNI; TRA/GNI; BMZ statistics [ODA/GNI])

Nearly half the German AfT portfolio targets “Trade-related infrastructure” (Figure 7).⁴³ Funding for “Building productive capacities” and “Trade development” makes up the other half, while funding for “Trade policy and regulations” appears marginal at about 1 percent of the total German AfT portfolio, if judged by financial data alone. While the BMZ AfT concept emphasises its role at the intergovernmental macro level, aiming to strengthen partner countries’ negotiation capacities in international trade, the engagement for trade policy and regulation appears marginal from a financial point of view. At this level, however, the data is difficult to interpret, because this AfT category contains much technical assistance, which is less costly than large-scale financial projects, but is potentially no less effective in terms of trade performance.

On the other hand, “Trade development” includes the CRS code “Business support services and institutions” (25010) to which TD-2 (trade as primary goal) is automatically assigned. While up to one third of German funding for “Trade development” carries this CRS code, it is questionable, as mentioned

above, whether all or even many of these projects really focus on trade since they may have been attributed to “Trade development” solely due to the automatic assignment of the TD. It is likely, therefore, that in reality, some parts of German TRA have little direct relevance to trade. This skewed reporting hypothesis will be analysed in more detail in Sections 5.2.2 and 5.2.4.

Generally, CRS data reports an increase in German AfT for “Building productive capacity” (category 4) over time.⁴⁴ German disbursements to “Trade-related infrastructure” (category 3) doubled in 2010 compared to earlier years but slightly decreased in 2011 and 2012, almost reaching the levels of 2008/2009 (similar to international trends in trade-related infrastructure). Two cost-intensive projects seem to have pushed up disbursements for “Trade-related infrastructure”: In 2010, there was a USD 660 million project on renewable energies, categorised as “Bilateral unspecified” (administrative, research costs not allocable to specific countries). This project may be explained by the rise in AfT due to the UN Climate

⁴³ The following analysis is limited to disbursements of German AfT.

⁴⁴ German disbursements for “Building productive capacity” are only slightly lower in 2011 than in 2010.

Change Conference in Copenhagen in 2010 and the related commitment to start providing climate finance for renewable

energies (OECD & WTO, 2013). In 2011, Germany built a coal-fired power station in India.

Figure 7: German bilateral AfT disbursements by AfT category (in current prices)

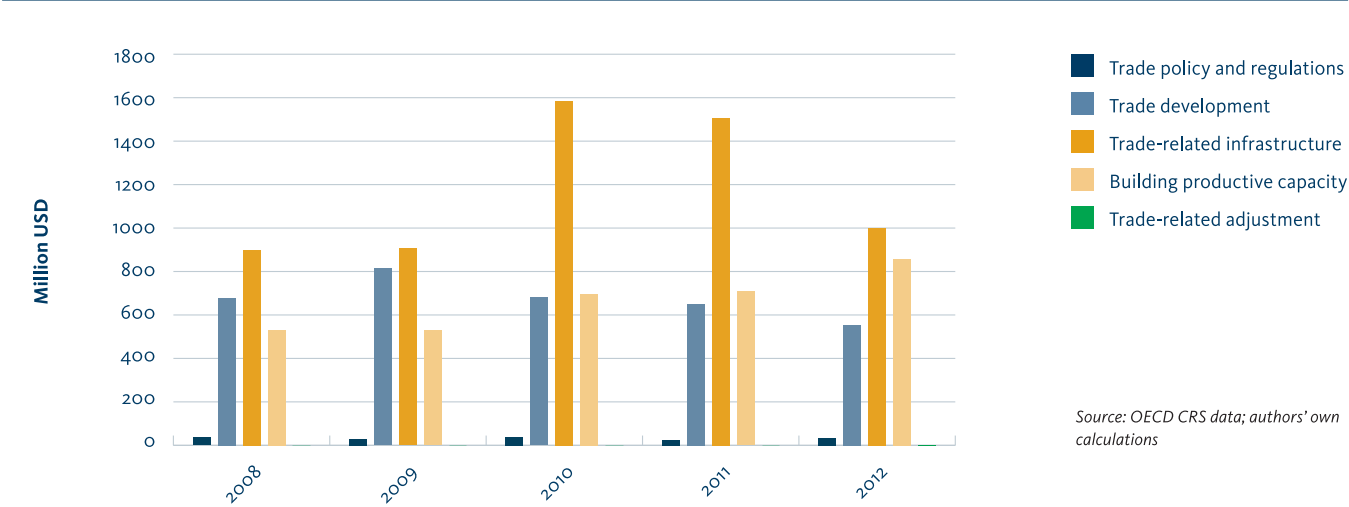
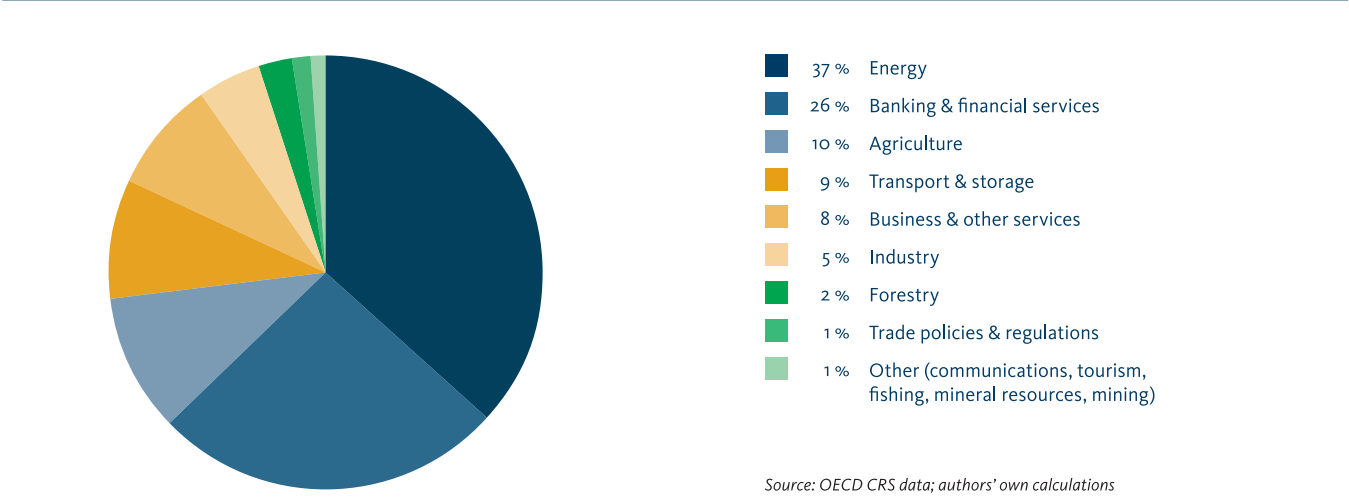


Figure 8 gives a more detailed overview of disbursements per sector. It shows that most German AfT disbursements are allocated to the CRS code “Energy” (230xx, being part of “Trade-related infrastructure”) followed by “Banking

and financial services” (240xx, part of “Building productive capacity”). “Agriculture” (311xx, part of “Building productive capacity”) is another important sector for German AfT.

Figure 8: Bilateral AfT disbursements per sector 2008–2012

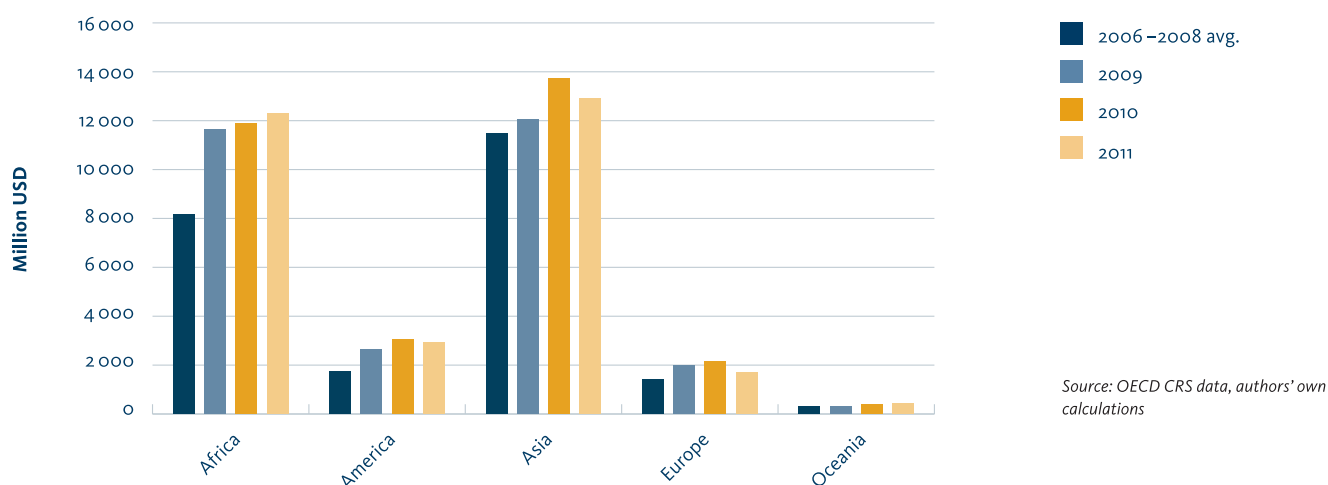


German disbursements on TRA (narrow AfT) have decreased since 2009, mainly due to reduced disbursements for “Trade development” (Figure 7, category 2). By contrast, funding for “Trade policy and regulations” (category 1) have remained almost stable at a low level. Most TRA disbursements are assigned to CRS codes “Banking and financial services” (240xx) and “Business support services and institutions” (25010; both are counted as “Trade development”).

AfT by region

Most international AfT commitments have been allocated to Asia, but there has also been a focus on Africa (Figure 9). In fact, Africa has received much of the increase in AfT funding in recent years, with a 64 percent rise in commitments compared to the 2002–2005 average (OECD & WTO, 2013, p. 72). However, AfT committed to Africa in 2011 fell sharply due to lower commitments to energy and transport projects.

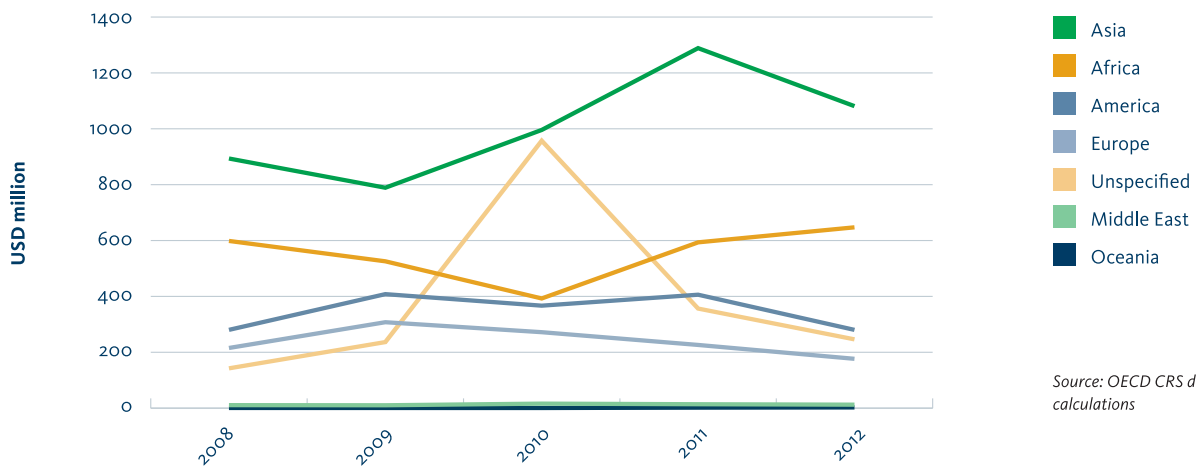
Figure 9: International AfT disbursements by region (2011 constant prices)



In comparison, most German bilateral AfT has been channelled to Asia (Figure 10), which has received almost half of total German AfT over time. The focus on Asia can largely be explained by the high percentage of development loans granted to Asian compared to African countries. German AfT to Africa has

only started to increase recently, while disbursements to all other regions have fallen. The peak in support to unspecified countries in 2010 results from a USD 660 million renewable energy project.

Figure 10: German bilateral AfT disbursements by region

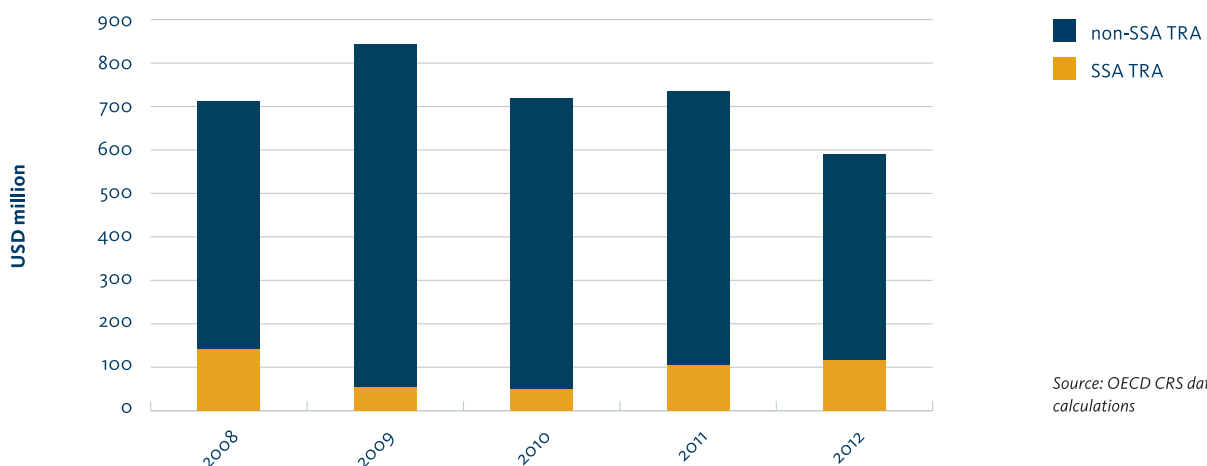


Source: OECD CRS data; authors' own calculations

The BMZ AfT concept pledges to spend at least half of the increases in TRA on ACP states, particularly sub-Saharan African countries. In fact, TRA to all African countries increased between 2010 and 2012, with decreasing TRA to Asia, Europe and America (see Figure 10).⁴⁵ However, Figure 11 shows that German TRA disbursements to sub-Saharan African countries

declined between 2008 and 2010, before returning to 2008 levels. This raises doubts as to whether the promise made in the BMZ AfT concept to devote half of the TRA increases to SSA was met. Overall, TRA disbursements to SSA countries are only a fraction of overall German TRA support.

Figure 11: German TRA disbursements to SSA/non-SSA countries



Source: OECD CRS data; authors' own calculations

Broken down into AfT categories, the geographic distribution of German AfT tells a more nuanced story. Whereas “Trade-related infrastructure” received the majority of funding in Asia,

“Building productive capacity” was the highest category in Africa. Funding for “Building productive capacity” for Asia and

⁴⁵ German TRA disbursements to Africa increased from EUR 78 to 144 million. TRA disbursements to America fell from EUR 57 to 21 million and to Asia from EUR 170 to 113 million (2010–2012).

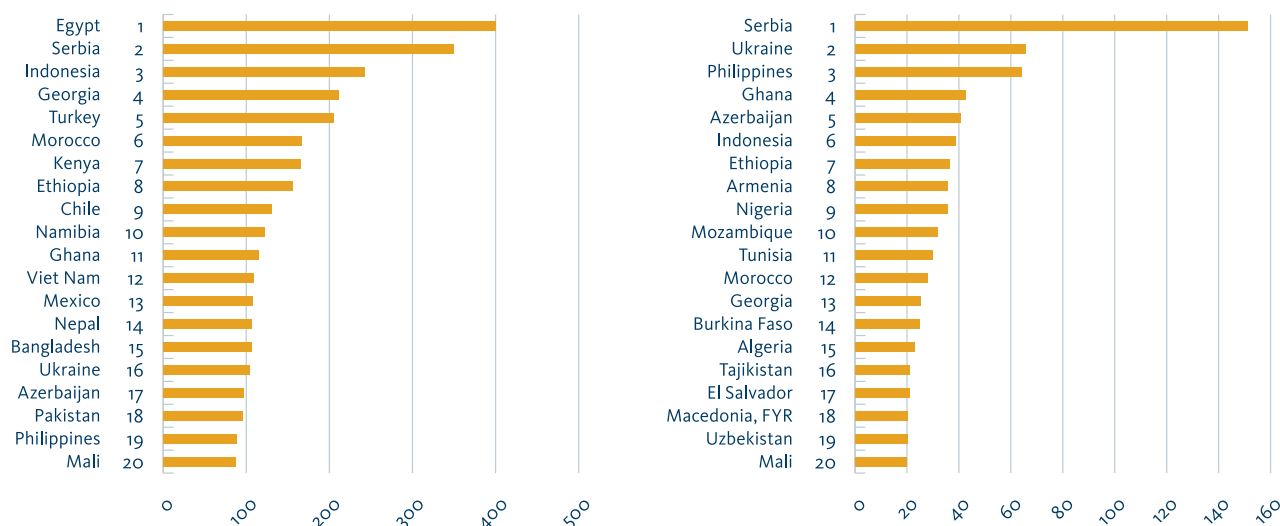
Africa was broadly similar, reflecting the growing emphasis on private sector development in Africa.

As shown in Figure 12 (left), five of the 10 largest bilateral AfT recipients of German AfT are African countries, though only three are sub-Saharan African countries. The 10 largest AfT recipients include Ethiopia as the only least developed country (LDC), Kenya as the only low-income country (LIC), four low- and middle-income countries (Egypt, Georgia, Indonesia and Morocco) and four upper-middle-income countries (UMICs) (Serbia, Turkey, Chile, and Namibia).

The 10 largest TRA recipients (Figure 12, right) include two LDCs (Ethiopia and Mozambique), five LMICs (Philippines,

Ghana, Indonesia, Armenia and Nigeria) and three UMICs (Serbia, Ukraine and Azerbaijan). Thus, compared to total AfT, TRA – including more direct trade-related support measures – seems to focus slightly more on lower-income countries. Five out of the 10 largest TRA recipients are also listed in the country case selection (see Box 3): Ghana, Ethiopia, Mozambique, Burkina Faso, and Tajikistan. High volumes of German AfT to Mozambique correspond with the prominent position of trade in the relevant BMZ strategy papers, as was shown in the analysis of these documents in Section 4.2. For countries other than Mozambique, not enough BMZ documents were analysed to draw a firm conclusion.

Figure 12: Top 20 countries per bilateral AfT (left) and TRA (right) disbursements, 2008–2012



Source: OECD CRS data; authors' own calculations

German priority areas: trade facilitation and regional integration

The BMZ AfT concept (BMZ, 2011) designates four German priority areas (see Chapter 3): Trade facilitation, regional integration/EPAs, quality infrastructure, and the incorporation of the potential of regional and international export markets into measures to develop productive capacities.

OECD and WTO (2013, p. 38) observe that trade facilitation has increasingly been stated as a top priority among partner countries in recent years. Moreover, at the Ninth WTO Ministerial Conference in Bali, Indonesia, in December 2013, after almost 10 years of negotiations, WTO members passed the Trade Facilitation Agreement as part of the overall “Bali Package”.⁴⁶ This agreement includes provisions for faster and

⁴⁶ More information at: http://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm (last accessed 16 July 2014).

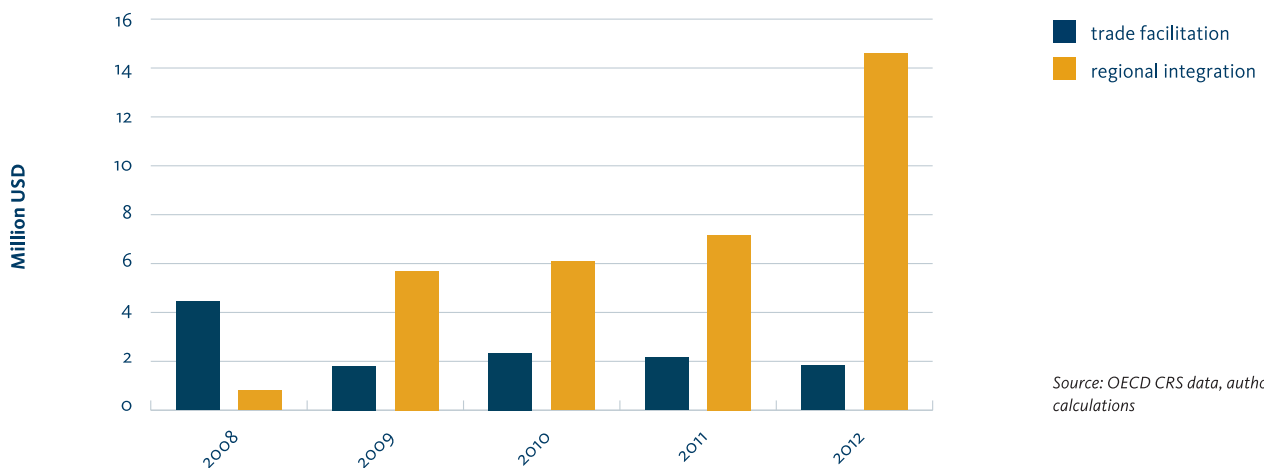
more efficient customs procedures and for technical assistance and capacity building. A preparatory committee was established to make appropriate arrangements for, and guarantee the implementation of, the agreement.

No conclusions about German support for trade facilitation can be drawn from statistical figures alone. The definition of the CRS code for trade facilitation (33120) is too narrow to draw meaningful conclusions. Because projects usually deal with trade facilitation as only one of several issues, they may be assigned a broader CRS code rather than the code “Trade facilitation”. So it is not surprising that the OECD CRS data in Figure 13 shows no extensive German support for trade facilitation.⁴⁷ While trade facilitation may in fact be underrepresented in CRS data, it may soon be possible to obtain a more

precise picture from German data because multiple CRS codes have been assigned to projects implemented by GIZ for some years. If consistently applied by the other German executing agencies as well, this could help to solve this analytical problem (see Box 4).

In contrast to the low numbers of trade facilitation projects according to aid data, aid flows to regional integration recorded a constant rise between 2008 and 2012 and a sharp increase in 2012. While the 2012 rise is mainly due to the “Capacity development in regional integration” project (USD 6.04 million), the more long-term positive development demonstrates the recent emphasis on regional approaches in German development cooperation, especially its growing support for regional economic communities in many parts of the world.

Figure 13: German trade facilitation and regional integration (in current prices)



Box 4. Assignment of multiple CRS codes

The OECD CRS website explains: “Each activity can be assigned only one purpose code. This is to avoid double-counting when summing up activities in different ways. For activities cutting across several sectors, either a

multi-sector code or the code corresponding to the largest component of the activity is used.”⁴⁸

In German development cooperation, it has been possible to assign multiple CRS codes since 2009. The multiple assignment is useful to show the diversity of programmes

⁴⁷ For more information on trade and transport facilitation by German executing agencies, please refer to: <http://www.giz.de/expertise/downloads/gtz2010-en-trade-transport-facilitation.pdf> (last accessed 25 September 2014).

⁴⁸ More information at: <http://www.oecd.org/dac/stats/crsguide.htm> (last accessed 16 July 2014).

which often focus on several thematic areas. However, the lists of AfT projects provided by German executing agencies demonstrate that only GIZ uses multiple assignments of CRS codes. 60 out of 819 trade-related projects reported by GIZ are assigned a second CRS code, 29 projects a third, and 13 projects a fourth code. The second and third CRS codes of these AfT projects do not have to be trade-related.⁴⁹

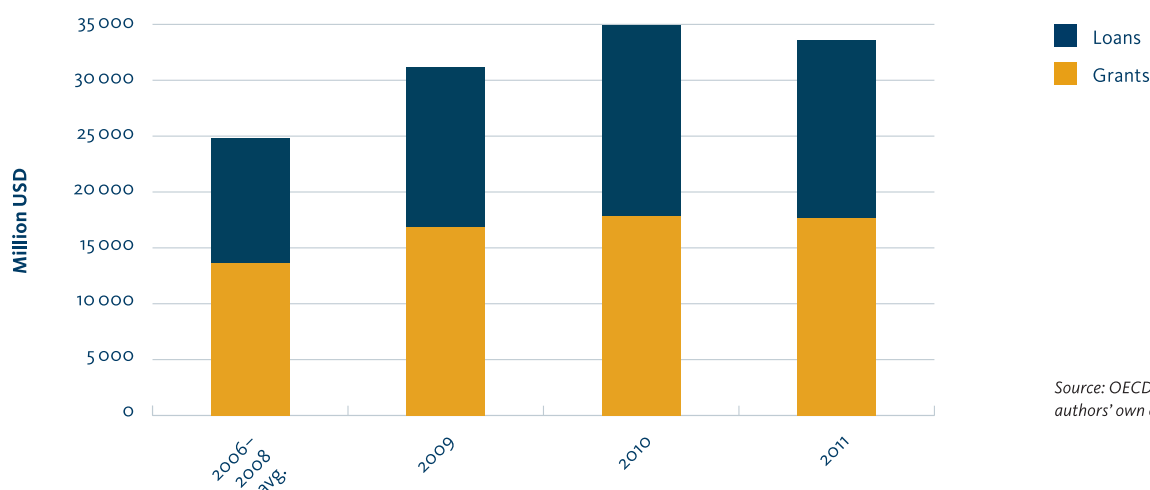
To the evaluation team, it is unclear whether and how multiple German CRS codes are translated into the OECD CRS database. Multiple assignments of CRS codes should be a topic for further discussion between German executing agencies and the BMZ divisions 411 and 412 (World Bank Group; IMF; debt relief).

Types of aid

ODA is composed of various types of aid, including grants, loans and equity investment. According to the 1978 OECD DAC Recommendations of Terms and Conditions of Aid, the annual average grant component of overall ODA commitments should be at least 86 percent for LDCs.⁵⁰ To grasp the real contribution made by German development cooperation to reducing poverty through AfT in LDCs, it is necessary to analyse the composition of AfT with respect to grants. This is especially important, because many countries are unable to repay loans, potentially perpetuating a cycle of debt and poverty.

Latest reports on international AfT funding (OECD & WTO, 2013) show that half of AfT is disbursed as grants and the other half as concessional loans (Figure 14). This composition has been more or less constant over recent years.

Figure 14: Loans and grants for Aid for Trade disbursements (2011 constant prices)



Source: OECD and WTO (2013, p. 77); authors' own calculations

Figure 15 depicts the situation in German development cooperation. While grants were relatively stable throughout the period from 2008 to 2012, loans fluctuated sharply. In some years (especially in 2010 and 2011), loans clearly received more funding than grants, leading to a high German share of loans in total AfT. In fact, the development of German AfT appears to have been driven mainly by changing levels of credits (loans). A possible explanation for the high level

of loans in German AfT could be the KfW development and promotion credits with a high share of costs borne by KfW. Equity investment was lower in 2009 and 2010, but returned to 2008 levels in 2011 and 2012.

The analysis of German AfT shares by ODA type to least developed countries shows that almost 100 percent of German AfT are grants (Figure 15). Only recently, since 2012, has a marginal

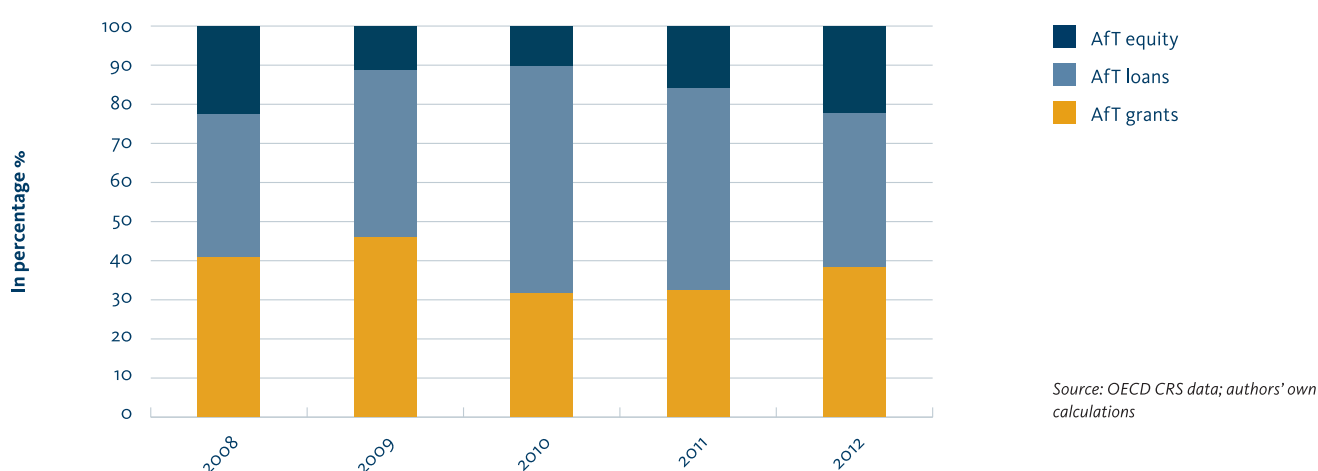
⁴⁹ For enhanced comparability between German executing agencies (and because less than 10 percent of all GIZ projects are assigned a second code), only the first CRS codes were used in our analysis.

⁵⁰ More information at: <http://www.oecd.org/dac/stats/crsguide.htm> (last accessed 16 July 2014).

part (about 2 percent) been provided as equity investment. Germany has easily met the 1978 OECD DAC recommendation

to provide at least 86 percent of ODA commitments to LDCs in the form of grants.

Figure 15: Disbursements by ODA type (in current Euro prices)



Discussion

To summarize this chapter: German AfT and TRA have recently decreased – AfT since 2010 and TRA since 2009 – with significant fluctuations over time. However, both remain at a high level, and the German TRA pledge has easily been met. Within TRA, support for regional integration and quality infrastructure has increased. By contrast, it is difficult to draw conclusions about trade facilitation and regional and global value chains due to statistical limitations.

Concerning the regional distribution of German AfT (according to OECD CRS data), three of the 10 largest bilateral recipients are sub-Saharan African countries. However, overall AfT funding to SSA only recently returned to 2008 levels. These findings confirm that much still needs to be done to make SSA the focus region of German AfT support in accordance with the BMZ AfT concept.

5.2

The German AfT portfolio according to project information

This section provides an overview of the trade-related financial and technical cooperation implemented by the main AfT executing agencies (GIZ, PTB and BGR for technical cooperation; KfW and DEG for financial cooperation). It also analyses a sample of BMZ-funded projects in more detail. It pinpoints the major differences in the executing agencies' reporting methods (see Box 5). As it was not possible to access the BMZ internal database (DASY), information was gathered from each executing agency separately. Since this data is not fully comparable, trade-related technical and financial cooperation is described in separate categories, based on the executing agency concerned.

During the meetings with the executing agencies and BMZ, a number of interesting issues were raised with regard to the application of the trade marker and the related coordination between BMZ and the executing agencies. Although these issues were merely a compilation of points collected in informal talks, they may be a useful starting point for further

discussions between these agencies and BMZ on the fine-tuning of the German approach to AfT. The following issues were brought up:

Although the term “trade relevance” is essential for the attribution of the TD, it has not been clearly defined by international stakeholders, nor has its implementation been reviewed. Some limited guidance is offered by several general remarks from the OECD on setting the TD. At national level, the application of the TD is supposed to be checked by the BMZ division for Trade-related Development Cooperation (BMZ division 411). However, due to the high number of trade-related projects and general resource constraints, the setting of the TD has often not been (sufficiently) reviewed. A German manual on AfT (GIZ & BMZ, 2012) includes some technical information on the TD and provides examples of when trade should be defined as “significant” (TD-1) or “principal” (TD-2). Overall, due to the many different trade-related projects run by German executing agencies, a definition of the term “trade-related project” is not available. As there is no further guidance on setting the TD, executing agencies developed their own understanding of the TD and its assignment. The approaches applied to assign the TD to projects seem to differ widely (see Box 5). A certain amount of caution therefore needs to be applied when comparing the project lists across executing agencies. It is difficult to revise development markers once they are set. Executing agencies should therefore be trained to assign the TD correctly and consistently.

From initial discussions with executing agencies, it became clear that a number of issues are unresolved and require further discussion between BMZ’s division 411 and the executing agencies, including the issue of validating the TD assigned by executing agencies. In addition, executing agencies⁵¹ and BMZ have limited capacity to deal with trade-related matters. If trade is to receive higher attention within German development cooperation, these capacities will have to increase. Although BMZ cannot directly interfere with the executing agencies’ staffing choices, it can motivate them to build up

trade-related know-how by insisting on more trade-related projects and by emphasising that AfT is not a short-term trend but a long-term strategic component of German development cooperation. In addition, a continuous exchange on AfT-related topics would be helpful, for example on setting and co-signing the TD or the attribution of multiple CRS codes (see Section 5.1). It would also be advisable to revitalise the “Thematic Team Trade and Sustainability”.

When analysing the German AfT portfolio on the basis of project information, the specific information provided by the executing agencies has to be kept in mind: First, the time periods covered vary significantly. Because the TD was officially introduced only in 2008, no conclusions regarding the AfT category “Trade development” and TRA can be drawn for earlier years. The analysis of CRS data therefore focuses on 2008 to 2012. However, some executing agencies seem to apply the TD retrospectively to some projects that had started before the introduction of the TD in 2008.

GIZ provided information on 819 projects for the period 1980 to 2014, while the KfW project list covers 1998 to 2013. In both cases, the TD was set retrospectively. DEG made available aggregated AfT figures for 2005 to 2012. The PTB AfT portfolio includes 39 projects for 2009 to 2012. Finally, the BGR provided a project list comprising 25 AfT projects from 1989 to 2013.

As described in Section 5.1, the TD may be assigned only to codes related to AfT category 4 “Building productive capacity”. Within this category, the CRS codes 25010 (“Business support services and institutions”) and 33210 (“Tourism”) are automatically marked with TD-2 as they are assumed to significantly contribute to a country’s trade development. The other CRS codes in category 4 are TD-0 (trade-neutral), TD-1 (trade as secondary goal) or TD-2 (trade as main goal).

Box 5 presents the actual state of German executing agencies’ TD setting, highlighting the difficulties encountered in implementing official international procedures. This overview is the first of its kind.

⁵¹ This seems to be the case for GIZ to a lesser extent; here, a considerable number of staff positions are devoted to trade in its Competence Centre on Economic Policy and Private Sector Development. While synergies between the different parts of this competence centre are being exploited on a daily basis, the sector programme, where the staff with more specific trade expertise can be found, is, however, not directly involved in the design or implementation of most GIZ projects.

Box 5. Setting the trade development marker

The executing agencies use various guidelines on TD setting, which partly explains their different approaches to assigning the TD.

GIZ

GIZ's TD guidelines (GIZ, 2009) not only include examples of trade-relevant projects but also define what is meant by pursuing trade as a project's main or secondary goal. According to the GIZ definition, an intervention promotes "Trade development" (TD-2 or TD-1) if it improves the ability of the partner to

1. formulate and implement a trade development strategy or to generate a trade-promoting environment to increase the volume and value added of exports and to diversify export products and target markets, or to increase foreign investment for an increase in trade and the creation of jobs; or
2. to stimulate the trade of domestic companies and to promote the investment of trade-related industries (GIZ, 2009, p. 2).

GIZ additionally introduced a dash ("—") which indicates that the TD is not relevant to specific CRS codes (GIZ, 2013), even though the rules of the CRS system do not require any marker for AfT categories 1 and 3, as projects in these categories are automatically recorded as AfT without a marker.

However (in contrast to the GIZ guidelines that clearly define when TD-o and TD "dash" need to be assigned), GIZ does not, in practice, appear to make a clear distinction between TD-o and "dash". The project list provided by GIZ includes both TD-o and "dash" projects in CRS codes 21010, 21040, 22040, 23010, 23020, 23030, 23040, 23065, 23068, 23081 and 33110 (categories 1 and 3; according to the WTO definition, these categories would not include any TD). Furthermore, TD-o is set for projects in category 4 (as originally in WTO definition).

KfW Entwicklungsbank

In the case of KfW, CRS codes and TD are assigned irrespective of specific thematic sectors. For instance, trade development markers are allocated to projects with CRS codes "Biodiversity" (41030) and "Rural development" (43030) if these projects are regarded as trade-relevant. All projects that are assigned the TD are counted as trade-relevant (or "AfT") projects. Projects without TD-1 or TD-2, such as projects in WTO categories 3 and 4, are not counted as trade-relevant. These projects are therefore not marked as trade-relevant by KfW and are possibly only later categorised as AfT by BMZ for further reporting to the CRS database.

Within KfW, there are doubts about the existence of a specific KfW/BMZ manual on setting the TD because no such document is in use in KfW's daily routine work. Furthermore, the decision as to what exactly should be regarded as trade-relevant poses challenges since a large number of projects financed by KfW on behalf of BMZ fall within the AfT definition without necessarily directly targeting trade.

DEG

A DEG position paper on AfT describes how the share of trade-related projects has been determined since 2009 (DEG, 2010). To allocate the TD to projects, the cumulative proportion of exports and imports to the total turnover of the company supported by the project is measured: A project with a share below 25 percent is regarded as trade-neutral (TD-o). If the share lies between 25 and 50 percent, a project is assumed to have trade as its secondary purpose (TD-1). Finally, if the share is above 50 percent, the project is identified as targeting trade as its main purpose (TD-2).

Only DEG equity investments and quasi-equity loans to DAC countries are accounted for in German AfT statistics.⁵²

⁵² "DEG's risk capital (equity and quasi-equity loans) is reported as ODA; long-term loans and guarantees by DEG are reported as Other Official Flows (OOF)" (DEG, 2010, p. 2).

PTB

Similar to the GIZ procedures, PTB introduced a dash (“”) to identify cases in which the TD is not relevant to specific CRS codes, even though the rules of the CRS system do not require any marker for AfT categories 1 and 3. The projects in these categories are automatically recorded as AfT (GIZ 2013, p. 9). For instance, AfT category 1 projects (“Trade policy and regulations”) are assigned a dash. TD is not set retrospectively. Therefore, projects starting before 2009 are assigned “not specified” (“keine Angabe”). In the trade-related portfolio (2009–2012), no projects are assigned TD-o, although the TD is assigned to a project in category 3.

BGR

Compared to the executing agencies mentioned above, BGR conducts very few projects that are counted as AfT. Out of 25 listed AfT projects, seven projects are assigned the TD. The TD is only allocated to projects with CRS code 32210 (“Mineral/mining policy and administrative management”) in the AfT category “Trade development”. There is no other assignment than TD-1 or TD-2, i.e. projects are not assigned TD-o.

The following sections summarise information on executing agencies’ AfT portfolios.

5.2.1 Technical cooperation: overview⁵³**5.2.1.1 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)**

The list of projects implemented by GIZ includes 819 projects for the period from 1980 to 2014. Nine projects are not assigned any CRS code and are therefore not part of the overview below. 38 percent of technical cooperation AfT projects fall within the category “Trade development” and 6 percent being categorised as “Trade policy and regulations” (Table 2). TRA thus represents 44 percent of the total GIZ AfT portfolio, indicating that “narrow AfT” accounts for a larger share of technical cooperation (GIZ) than of the overall German AfT portfolio. The second largest category is “Trade-related infrastructure” with 32 percent of all projects.

Generally, projects implemented by GIZ are not evenly distributed across the AfT-related CRS codes. Instead, certain codes account for a disproportionately high number of projects. For instance, in AfT category 1, 63 percent of projects are conducted under “Trade policy and administrative management” (33110). In category 2, most projects (52 percent) belong to the category “Business support services and institutions” (25010). In category 3, the emphasis is on energy-related projects (84 percent; 230xx), while the majority of projects implemented by GIZ (55 percent) in category 4 run under “Agriculture, forestry, and fishing” (310xx).

Table 2. Technical cooperation projects implemented by GIZ in AfT categories 1–5

CRS Codes	No of projects	Percentage of total projects
33110 (Trade policy and administrative management)	33	4.1 %
33120 (Trade facilitation)	6	0.7 %
33130 (Regional trade negotiation)	13	1.6 %
Total: Trade policy and regulations	52	6.4 %
240xx (Banking and financial services)	21	2.6 %
310xx (Agriculture, forestry, fishing)	78	9.6 %
320xx (Industry, mining, construction)	33	4.1 %
33210 (Tourism policy and administrative management)	9	1.1 %
25010 (Business support services and institutions) + 25020 (Privatisation)	164	20.2 %

⁵³ In the following analysis of the AfT portfolios of GIZ, KfW, PTB, and BGR, total project disbursements are assigned to the first project year and are not (in contrast to the method applied in the CRS data) spread over the whole project period.

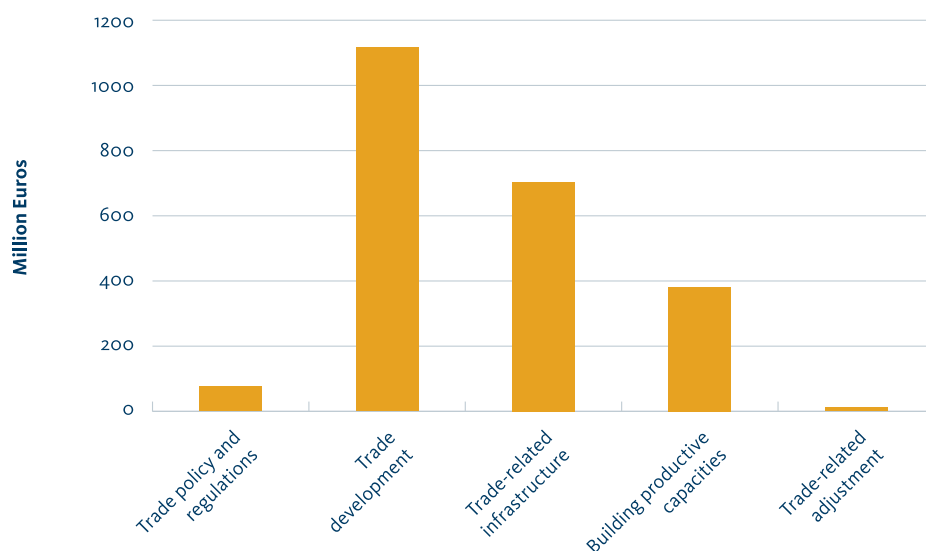
CRS Codes	No of projects	Percentage of total projects
Total: Trade development	305	37.7 %
210xx (Transport and storage)	33	4.1 %
220xx (Communication)	8	1.0 %
230xx (Energy)	218	26.9 %
Total: Trade-related infrastructure	259	32.0 %
240xx (Banking and financial services)	40	4.9 %
310xx (Agriculture, forestry, fishing)	105	13.0 %
320xx (Industry, mining, construction)	32	4.0 %
25020 (Privatisation)	7	0.9 %
32210 (Mineral/mining policy and administrative management)	6	0.7 %
Total: Building productive capacity	190	23.5 %
33150 (cat.5)(Trade-related adjustment)	4	0.5 %
Total	810	100.0 %

Source: GIZ, 2014; authors' own calculations

With regard to BMZ sectors, most GIZ AfT disbursements⁵⁴ between 2005 and 2012 were implemented under “Sustainable economic development” (EUR 854 million), with “Energy” ranking second (EUR 565 million), and “Agriculture and food security” third (EUR 426 million).

AfT category 2 (“Trade development”) accounted for the highest disbursements during the same period (Figure 16). As expected, financial flows are lowest for “Trade-related adjustment” (category 5), which received some funding, with four projects being listed, totalling EUR 11.5 million. Disbursements to “Trade policy and regulations” (category 1) are also relatively low as this category mainly includes advisory and consulting services with low financial volumes.

⁵⁴ GIZ provided a project list stating the project values (“Projektwert”). For reasons of consistency, this study continues to use the term “disbursements”.

Figure 16: Technical cooperation (GIZ) disbursements per AfT category, 2005–2012

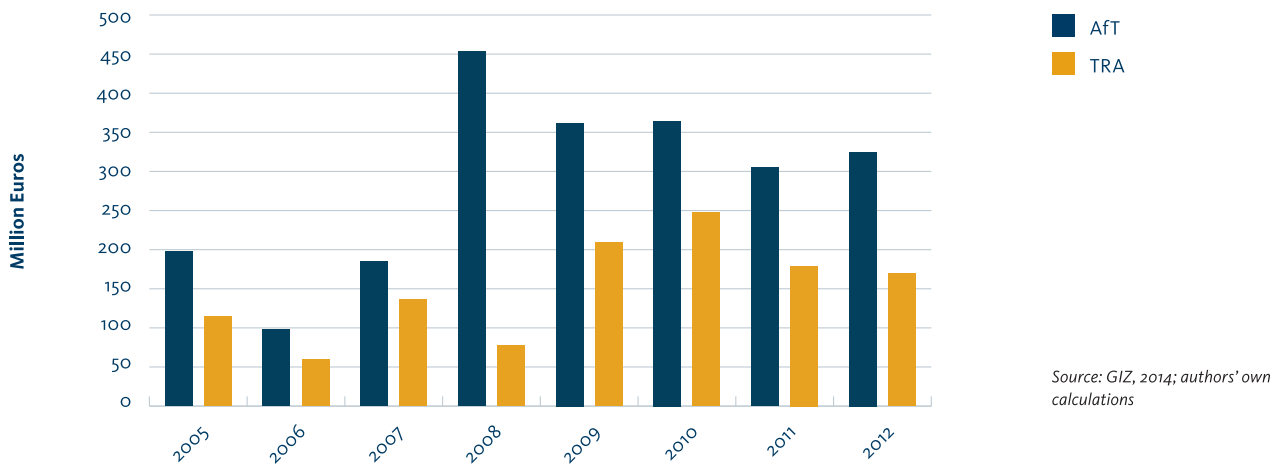
Source: GIZ, 2014; authors' own calculations

Overall, AfT implemented by GIZ (in disbursements) has almost doubled since the launch of the AfT initiative in 2005 (Figure 17), from about EUR 200 million in 2005 to more than EUR 450 million three years later. Since then, disbursements fell to EUR 305 million in 2011 but increased again to over EUR 370 million in 2013. Similarly, GIZ TRA disbursements have risen since the inception of AfT, with a peak of almost EUR 250 million in 2010 and relatively stable disbursement levels of EUR 170–180 million thereafter (Figure 17). These figures

indicate that the German TRA pledge was close to fulfilment by 2010, even if only TRA implemented by GIZ is counted.

AfT disbursements between 2005 and 2013 account for 8 percent of all AfT disbursements from 1990 to 2013, indicating that more resources were allocated to trade-related CRS codes after the launch of the AfT initiative in 2005. Similarly, 89 percent of TRA were disbursed between 2005 and 2013.

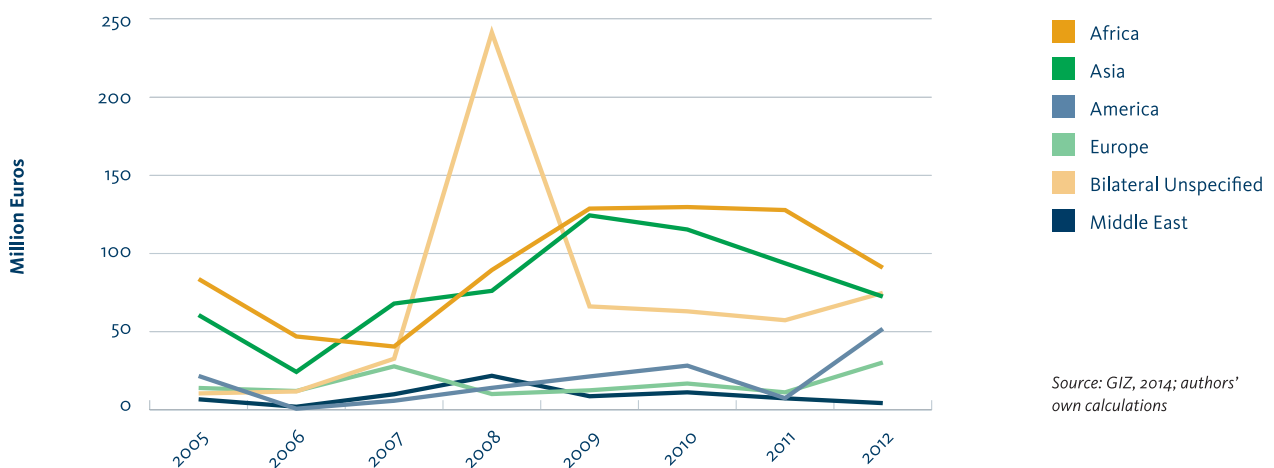
Figure 17: Technical cooperation (GIZ) AfT and TRA disbursements



Disbursements are highest to Africa, reflecting BMZ's focus on this continent (Figure 18). Interestingly, this conclusion differs from the analysis of total German AfT (see Section 5.1) which had indicated that the majority of German AfT flows to Asia. Asian regions and countries are actually only the second

most important recipients of German technical cooperation AfT (GIZ).⁵⁵ An analysis of the trend over time shows that disbursements to Africa and Asia have decreased in recent years, while those to Europe and the Middle East have largely remained stable.

Figure 18: Technical cooperation (GIZ) AfT disbursements by region



Ethiopia received the major share of GIZ's AfT disbursements from 2005 to 2012 (Figure 19, left). In the top 10, there are five African, three Asian, and two Latin American countries. Large

countries such as Indonesia and Brazil received high amounts of funding, but the top 10 also includes smaller economies such as Tajikistan. Expanding the selection to the top 20

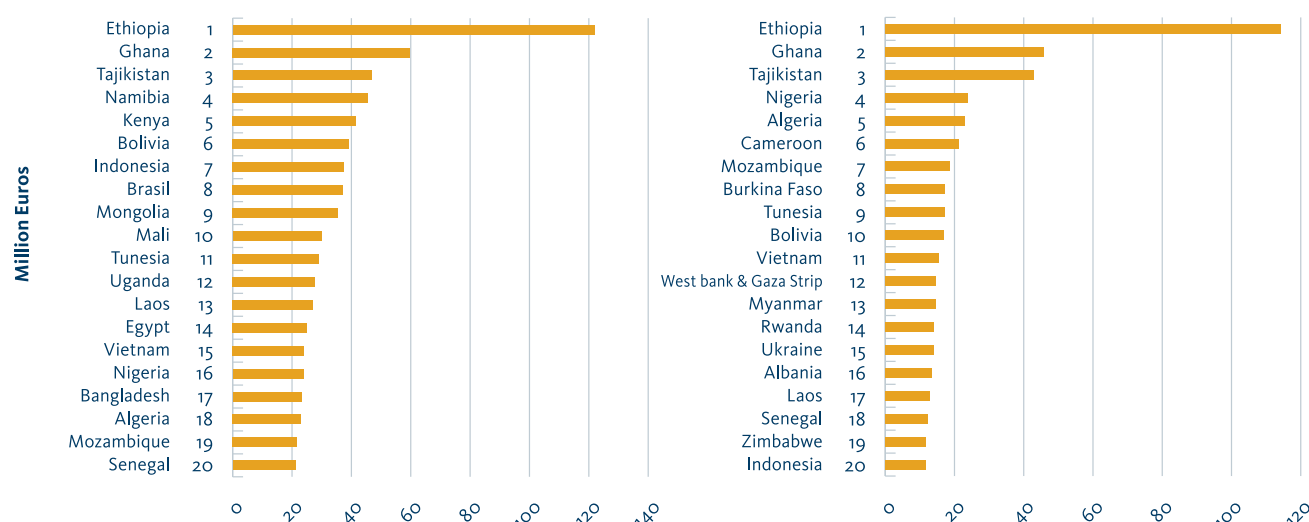
⁵⁵ Disbursements categorised as "bilateral unspecified" peaked in 2008 due to a project on infrastructure and energy.

countries leads to more countries from sub-Saharan Africa and Asia featuring in the list.

Ukraine is the only European country on the top 20 TRA list. The top 10 list of GIZ TRA recipients includes more sub-Saharan African countries than for AfT, and includes Nigeria, Cameroon, Mozambique and Burkina Faso (Figure 19, right). Overall, the GIZ AfT and especially the TRA portfolio tend to focus on sub-Saharan Africa.

The regional economic community receiving the highest funding in the period from 2005 to 2012 is the Southern African Development Community (SADC; EUR 20.9 million), followed by the East African Community (EAC; EUR 11.3 million), and the Association of Southeast Asian Nations (ASEAN; EUR 9.8 million).

Figure 19: Technical cooperation (GIZ): top 20 countries per AfT (left) and TRA (right) disbursements, 2005-2012



Source: GIZ, 2014; authors' own calculations

5.2.1.2 National Metrology Institute (PTB)

The PTB project list includes 39 projects from 2009 to 2012 (indicating the starting year of the project).⁵⁶ More than 60 percent of the projects fall under AfT category 1 ("Trade policy and regulations"). Projects in AfT category 2 ("Trade development") account for about 25 percent.

Table 3. PTB AfT projects per category (2009–2012)

AfT category	Number of projects	Percentage
1	24	61.5
2	10	26
3	1	2.5
4	4	10
Total	39	100

Source: PTB, 2014; authors' own calculations

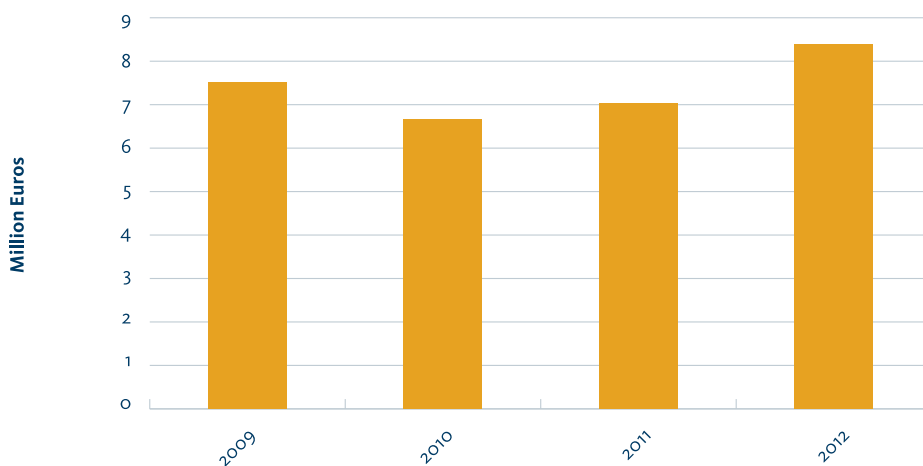
⁵⁶ Earlier projects (starting before 2009) are not part of the overview, as PTB introduced the TD in 2009.

Since the launch of the AfT initiative in 2005, the majority of projects implemented by PTB have been conducted in category 1 (“Trade policy and regulations”), under CRS codes 33110 and 33130 (“Trade policy and administrative management” and “Regional trade agreement”), thus indicating an increasing emphasis on this core AfT category. Previously, the majority of projects had fallen under industry-related codes such as 32181 and 32182 (“Technical research and development”). Since most projects implemented by PTB form part of “Trade policy and regulations” (category 1), which does not have to be assigned

any TD to be counted as TRA, it is not surprising that most PTB projects carry no trade marker. TD-2 (TD-1) is only assigned to four (seven) out of 39 projects between 2009 and 2012. Only one project falls under category 3, “Trade-related infrastructure” (23010).

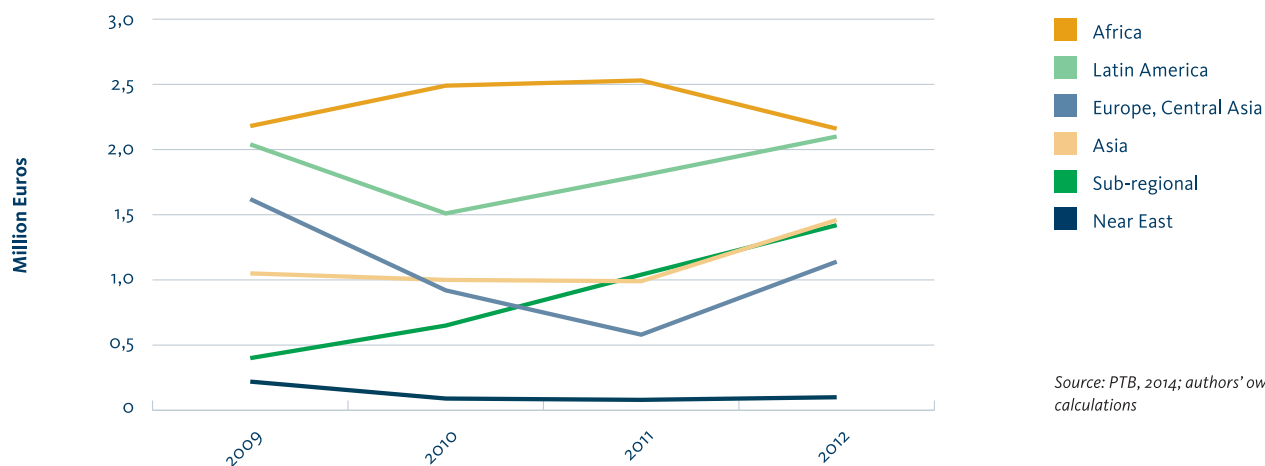
Overall disbursements have been relatively stable since 2009, with a peak in 2012. In total, PTB disbursements add up to EUR 29.57 million from 2009 to 2012.

Figure 20: Technical cooperation (PTB) AfT disbursements



Source: PTB, 2014; authors' own calculations

Disbursements are highest to African countries and regions (EUR 9.36 million), followed by Latin America (EUR 7.45 million) and Asia (EUR 4.5 million). Sub-regional projects have sharply increased since 2009: disbursements have more than tripled from EUR 0.4 to 1.42 million (Figure 21).

Figure 21: Technical cooperation (PTB) AfT disbursements per region

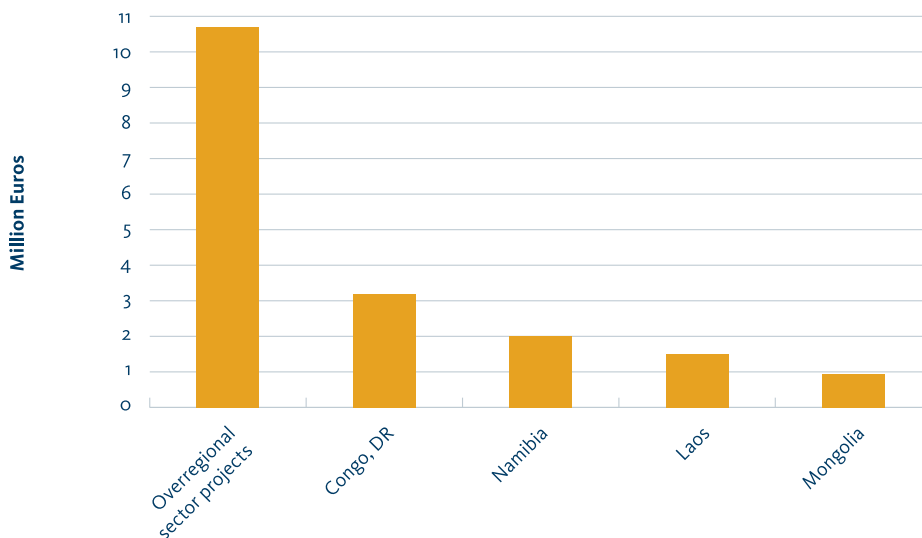
Since PTB is a single-issue organisation and deals solely with issues related to quality infrastructure, all projects can be regarded as falling within this AfT priority area. However, a more specific trade angle has been added to PTB projects over time to complement the core issues of quality infrastructure. Projects have increasingly focused on regional economic communities and have thus had a bearing on another AfT priority area, namely regional integration. This makes PTB one of the most relevant German executing agencies for AfT, despite its small size and limited thematic scope. It also shows that the BMZ AfT mainstreaming approach has at least partly achieved its goal of increasing the trade dimension of relevant projects.

5.2.1.3 Federal Institute for Geosciences and Natural Resources (BGR)

The list provided by BGR includes 25 AfT projects (1989–2013) covering CRS codes 23xxx (Energy, 2 projects) and 322xx (Mineral resources, 23 projects). Most BGR projects are conducted in AfT categories 2 and 4 (“Trade development” and “Building productive capacities”). Recently, there were no projects in “Trade-related infrastructure”. Overall, AfT disbursements add up to around EUR 18 million.

The highest total disbursements are channelled through regional programmes, followed by the Democratic Republic of the Congo as the top receiving country (Figure 22). Other national projects are implemented in Namibia, Laos, and Mongolia. In total, around EUR five million are deployed in African countries.

Figure 22: Technical cooperation (BGR) disbursements, 2005–2012



Source: BGR, 2014; authors' own calculations

5.2.2 Technical cooperation: analysis of project documentation⁵⁷

This section analyses trade-related technical cooperation projects in selected countries (see sample selection in Box 3) in more detail. The aim is to determine whether trade has been appropriately mainstreamed in technical cooperation projects. The analysis focuses especially on the attribution of the TD in order to establish whether the degree of trade relevance attributed through the TD is reflected in project design.

The selection was limited to projects implemented by GIZ due to their number and volume. Certainly, PTB is also highly relevant with probably the clearest trade focus of all German executing agencies. However, as a single-issue organisation focusing solely on matters related to quality infrastructure – a core topic of AfT – its projects can generally be assumed to mainstream trade appropriately and were therefore not taken into account in this analysis.

Documentation of 38 AfT projects⁵⁸ implemented by GIZ in the following seven countries was examined: Ethiopia (8), Burkina Faso (4), Ghana (9), Laos (7), Nepal (2), Tajikistan (6), and

Uganda (2). Not all 12 countries included in the overall sample (in Box 3) were chosen due to the large amount of information to be processed per project. In addition, TD-0 projects are included in this sample, provided that they fall within the broad definition of AfT. The detailed list of projects is presented in the Annex, Table 10.

In a first step, the TD attribution was compared with the extent to which trade is taken into account according to the project documents: 11 projects are marked with TD-1⁵⁹ and another 12 with TD-2.⁶⁰ Eight projects marked with TD-2 carry the CRS code 25010 “Business support services and institutions” (see Annex, Table 11, for a detailed list of codes per project) which means that, in line with internationally agreed rules, TD-2 was assigned automatically here. This raises the question whether these projects really cover trade: The analysis of project documentation shows that, with the exception of one project in Laos (“Human resource development for a market economy”), these 25010 projects do indeed incorporate trade issues, but to varying degrees and rarely with trade as the main goal as required for a TD-2 allocation.

⁵⁷ Units of analysis in Sections 5.2.2 and 5.2.4 are single projects and not German development programmes (“EZ-Programme”) for practical reasons and due to various sub-projects within the programmes with no trade relevance.

⁵⁸ The analysis covers current and completed projects. Successor and predecessor projects are treated as individual projects since CRS codes and TD often change over time. 11 projects have successor projects.

⁵⁹ Seven of the 12 projects deal with agriculture, two with banking and financial services, one with industry, and one with forestry.

⁶⁰ The other 18 projects carry TD-0 (see Annex, Table 10).

Four projects carry TD-2 and CRS codes other than 25010. These are cases where TD-2 was not automatically assigned but after an assessment of the projects' trade relevance. Two of these four projects show some clear links to trade: One project supported agricultural development in Ghana (CRS 31191), including export-oriented value chains, and another focused on quality management in Ethiopia (CRS 32120), leaving little or no doubt about their international trade relevance. By contrast, the attribution of TD-2 to two other projects appears less straightforward: One Tajik microfinance project (CRS 24030) and one Tajik project in support of SME development (CRS 32130) do not deal even remotely with trade although both carry TD-2. This may be explained by the context in which the TD was assigned: As these projects had started before the introduction of the TD in 2008, the marker was attributed retrospectively. Both projects have a common successor project (aiming to improve the framework conditions and financing of private sector development) which carries the code 25010, which is automatically associated with TD-2. Although this contradicts the rules for setting the TD, the CRS code of the successor project may have determined the TD assigned to its predecessor projects.

In a second step, the documents were examined to determine whether they take into account trade issues and whether their trade focus changed over time. An increased emphasis on trade over recent years would indicate that AfT has been successfully mainstreamed.

The term AfT itself is only mentioned in three projects. One TD-2 project on quality infrastructure in Ethiopia discusses AfT. In addition, a TD-1 project on sustainable agricultural development in Burkina Faso refers to AfT in a discussion of the effectiveness of development cooperation. One TD-1 project on market-oriented agriculture in Ghana mentions AfT as well, but only in the context of setting the trade development marker.

In total, seven out of 38 projects cover trade in their indicators: Three projects in Ethiopia deal partly or wholly with quality management and quality infrastructure and feature trade prominently in their indicators. The indicators of two

agriculture projects in Ghana aim to increase export activities and certification of products in compliance with international standards. Similarly, one agriculture project in Burkina Faso includes an indicator on rising sales in international markets. Finally, one project in Tajikistan features several indicators relating to cross-border trade with Afghanistan and Kyrgyzstan (value of exported goods, number of cross-border markets, and proposals for removing trade barriers). However, while the two projects in Ethiopia and Tajikistan are still ongoing, the other projects in Ghana and Burkina Faso were replaced by successor projects, most of which do not feature trade-related indicators.

Value-chain approaches are widely incorporated into agricultural projects and also feature in some sustainable economic development projects. Some export-oriented value chains⁶¹ are supported (sesame and cashew in Burkina Faso; mango, pineapple and citrus fruits in Ghana; honey and medical and aromatic plants in Nepal; fruits and vegetables in Tajikistan). However, while the design of these projects clearly incorporates trade-related elements, their indicators often address purely domestic aspects (e.g. an increase in production or income) and only rarely target international issues (e.g. increase in exports or certification of products). Many agriculture projects seem to neglect another potentially relevant angle: With the exception of one Tajik project, they generally do not address the regional trade potential. This is rather surprising since, in many cases, GIZ implements trade-related projects at the level of the corresponding regional economic community, offering an obvious entry point for creating synergies between national and regional projects.

Apart from projects supporting more traditional AfT areas such as agriculture and sustainable economic development, one TD-1 project deals with forest management in Laos. Its focus is highly relevant: It supports the local forest industry in adjusting to the EU Forest Law Enforcement, Governance and Trade (FLEGT) process, including EU import regulations. In addition, it addresses regional trade within ASEAN, including the processing of wood imported from other ASEAN countries for later export to other parts of the world.

⁶¹ It is important to note that value chain promotion does not automatically translate into the promotion of exports and international trade. There is an important distinction between domestic and regional/global value chains.

With regard to how comprehensively trade aspects are taken into account, no clear trend can be identified and in some cases, the trade focus has decreased over time: While the predecessor of the Ghanaian project on market-oriented agriculture still featured indicators on GlobalGAP certification and export increases, the current project does not. Hence, it carries a lower TD than its predecessor (TD-1 instead of TD-2). Similarly, the indicators for the agro-business promotion project in Burkina Faso do not include export increases, unlike its predecessor.⁶² On the other hand, the innovative forest project in Laos, mentioned above, which started in 2012 possibly indicates a trend towards a stronger focus on trade in some national resource projects. In addition, two highly relevant projects are not included in the sample analysed because they were launched only very recently; one focuses on Laos' integration into ASEAN, while the other deals with trade promotion in Nepal.

To conclude, from the admittedly relatively small sample it appears that it is still difficult to include trade aspects within wider programmes. At the same time, a few stand-alone trade projects were recently launched. This trend may be the result of a deliberate strategy to deal with trade in projects specifically devoted to this issue (both at the national and perhaps even more so at the regional level), instead of mainstreaming it across a wider range of issues. While this is a valid approach, it raises questions as to whether it really corresponds with the mainstreaming approach advocated by BMZ in its AfT concept. Overall, however, it does demonstrate the commitment of German technical cooperation to provide AfT.

5.2.3 Financial cooperation: overview

5.2.3.1 Kreditanstalt für Wiederaufbau (KfW)

The list of projects financed by KfW on behalf of BMZ comprises 356 trade-related projects from 1997 to 2013 (indicating the starting year of the project), all of which fall under AfT category 2 ("Trade development") and thus meet the definition of TRA.⁶³ In KfW's case, total AfT disbursements equal total TRA disbursements. Surprisingly, KfW does not count projects

in AfT categories 3 and 4 as trade-relevant, so the following analysis will refer to its TRA portfolio only. In this sober treatment of its projects in categories 3 and 4, KfW deviates from the agreed but questionable AfT practice of treating every infrastructure or productive capacity project as relevant to international trade and AfT, perhaps underrating the bank's actual contributions in this field. The evaluation team differentiates between three types of finance for KfW AfT projects: (i) pure budget funds (grants funded from the German Federal Government's budget), (ii) promotional loans (purely funded by KfW on capital markets), (iii) development loans (including interest rate subsidies, composite and mixed financing – funded both from the budget of the German Federal Government and from KfW funds raised on capital markets⁶⁴).

More than 83 percent of the projects are listed under CRS codes "Banking and financial services" (24xxx) and 11 percent under "Agriculture, forestry, fishing" (31xxx). Only a few projects carry other CRS codes. The KfW list also marks projects on "Biodiversity" (41030) and "Urban development and management" (43xxx) as trade-relevant. Only 26 projects are allocated TD-2; all other projects are allocated TD-1 (330 projects).⁶⁵

Similar to technical cooperation in AfT, most trade-related disbursements are allocated to the sector "Sustainable economic development". Very few funds are devoted to other sectors.⁶⁶

Disbursements peaked in 2012. Only a few projects prior to 2005 were identified as TRA: disbursements from 2005 to 2012 account for 99 percent of all AfT disbursements (Figure 23).

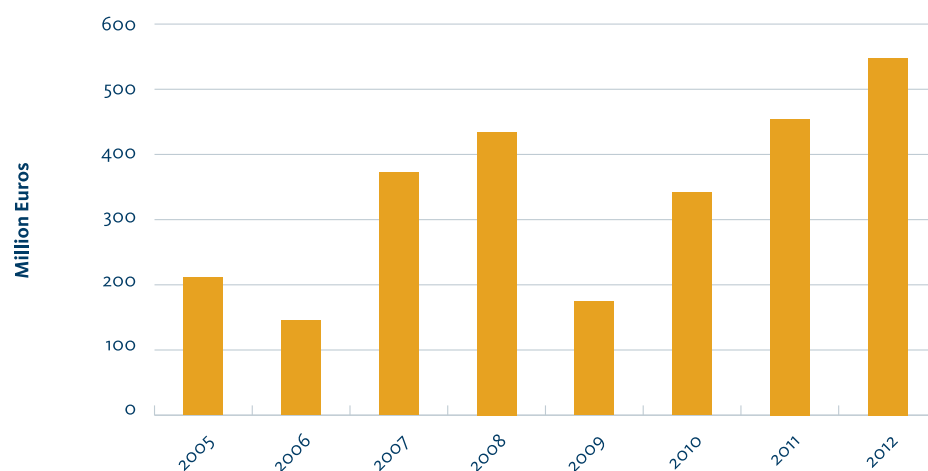
⁶² However, a recent project modification ("Änderungsangebot") proposed an additional emphasis on promoting the export of sesame, e.g. by improving the existing trade information system and providing training for exporters.

⁶³ There was only one project in 1997 and in 2003. In 2004, there were three projects. Projects are only selected if BMZ was the public contracting authority.

⁶⁴ Definitions based on <https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Tasks-and-goals/Unsere-Finanzprodukte/> (last accessed 20 October 2014).

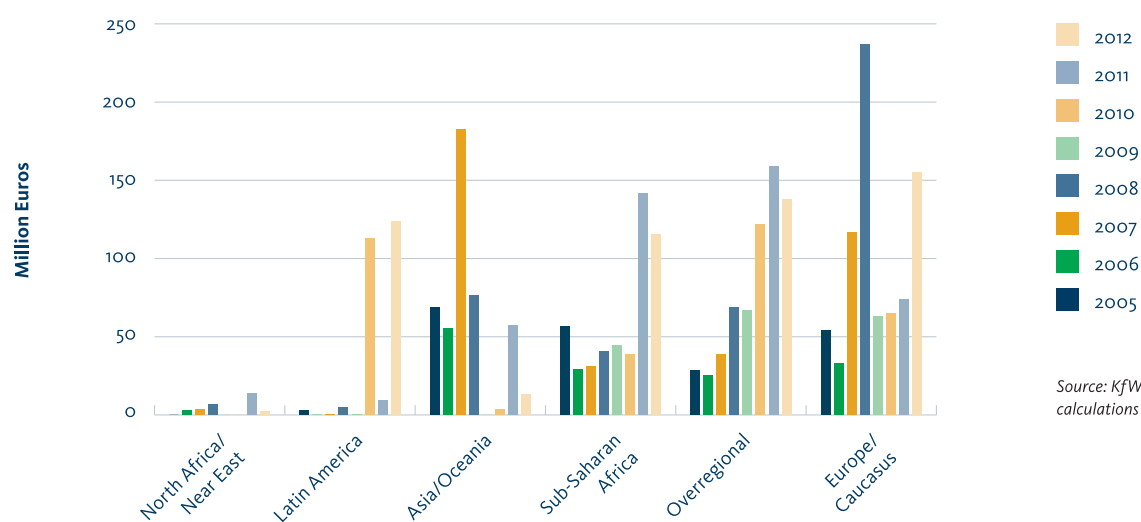
⁶⁵ In the following sections, projects carrying CRS codes other than AfT-relevant codes are dropped from the sample.

⁶⁶ The KfW project list calls disbursements "total disbursements" ("Auszahlung gesamt"). In cases where no information on disbursements is available, this study relies on the other financial information variable: budget resources ("Haushaltsmittel"). Projects with no information on disbursements are excluded from the sample.

Figure 23: Financial cooperation (KfW) TRA disbursements

Source: KfW, 2014; authors' own calculations

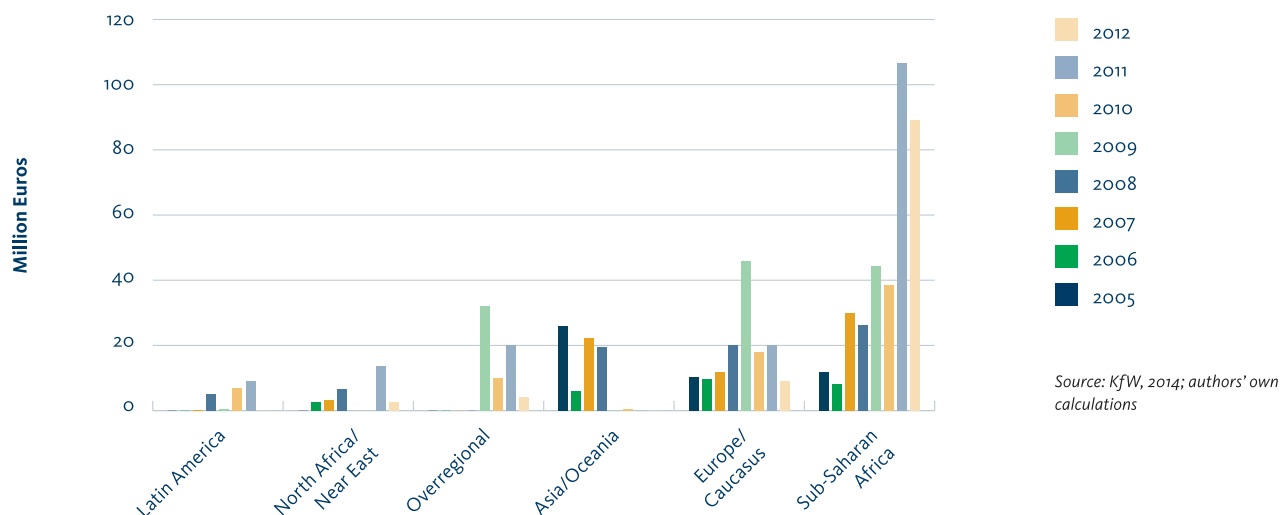
Most disbursements are allocated to Europe and the Caucasus, followed by sub-regional and sub-Saharan Africa projects (Figure 24).

Figure 24: Financial cooperation (KfW) TRA disbursements by region: all financing types

Source: KfW, 2014; authors' own calculations

When only examining disbursements of pure budget funds, most disbursements are made to sub-Saharan Africa, followed by Europe/Caucasus, and Asia (Figure 25).

Figure 25: Financial cooperation (KfW) TRA disbursements by region: only pure budget funds

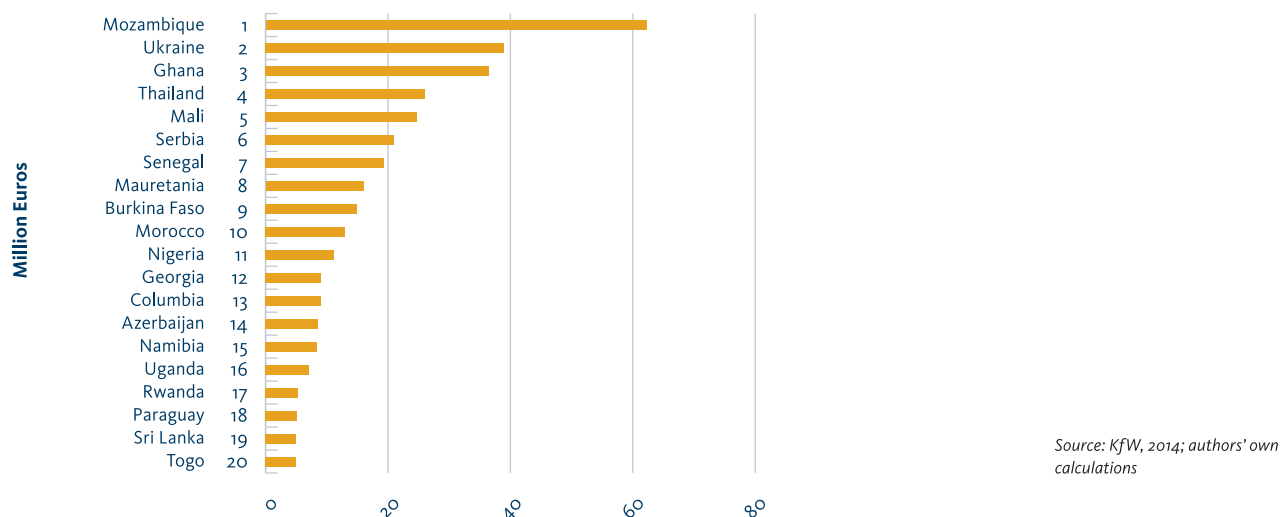


More economically advanced countries such as Serbia and Turkey are among the top 10 recipients with regard to the overall KfW AfT portfolio. Funding for Turkey is mostly directed to SMEs. European countries such as Ukraine, Serbia, Kosovo and Bulgaria are among the top 20 recipients. Three sub-Saharan

African countries are among the top 10, and seven already feature in the top 20 recipients of TRA.

The share of SSA countries rises when only projects of pure budget funds are analysed (Figure 26): six of them are among the top 10 recipient countries.

Figure 26: Financial cooperation (KfW) TRA disbursements: top 20 countries, 2005-2012: only pure budget funds



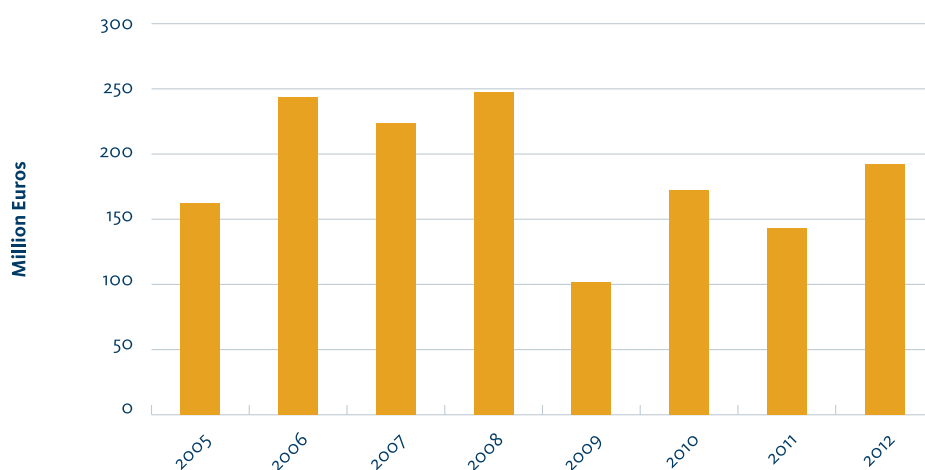
5.2.3.2 Deutsche Investitions- und Entwicklungsgesellschaft (DEG)⁶⁷

The figures provided by DEG do not distinguish between broad and narrow AfT but are available only as aggregate figures due to the sensitivity of bank data. The aggregate figures cover the period from 2005 to 2012; those for 2005–2007 are taken from Voionmaa and Brüntrup (2009). On average, AfT disbursements throughout the years 2005 to 2008 were

higher than AfT disbursements between 2009 and 2012.

Following the general downward trend of AfT flows in 2011, DEG's AfT disbursements were lower in 2011 than in 2010, but still higher than in 2009. This decline can largely be explained by the financial crisis, which put downward pressure on DAC members' ODA budgets (OECD & WTO, 2013, p. 22). In 2012, AfT disbursements were up again.

Figure 27: Financial cooperation (DEG) AfT disbursements



Source: DEG, 2014; Voionmaa and Brüntrup (2009, p. 71)

5.2.4 Financial cooperation: analysis of project documentation

As with technical cooperation, project documentation of trade-relevant⁶⁸ financial cooperation was studied to assess the attribution of the TD and the success of mainstreaming AfT (see Annex, Table 12, for a list of projects studied). The analysis comprises 58 projects financed by KfW on behalf of BMZ in Ethiopia (1), Burkina Faso (7), Ghana (9), Laos (1), Mongolia (2), Mozambique (17), Namibia (3), Rwanda (5), Nepal (1), Senegal (6), Tajikistan (2) and Uganda (4). No finalised documentation was available for 12 projects which are still in their conceptual phase. Due to the confidentiality of bank data, it was not possible to obtain and analyse documentation for DEG projects.

Most projects financed by KfW on behalf of BMZ belong to the BMZ priority area “Sustainable economic development” (46 out of 58), while 12 can be attributed to “Agriculture and food security”. 46 out of 58 projects are implemented under the CRS code 240xx (“Banking and financial services”; see Table 13). Within this category, the sub-category “Formal sector financial intermediaries” (24030) is most common (35 out of 46), followed by five projects on “Informal/semi-formal financial intermediaries” (24040) and “Education and training in banking and finance” (24081), respectively. Twelve projects are allocated to “Agriculture, forestry and fishery”. This analysis does not include any trade-related infrastructure projects as they do not form part of TRA and are therefore not regarded as trade-relevant within KfW. However, KfW has implemented

⁶⁷ While DEG is officially part of KfW, this evaluation addresses it separately because its business model and its relationship with BMZ differ substantially from that of other KfW activities. DEG provides loans and equity finance to private companies. Its equity and equity-like financing activities are considered ODA-eligible and therefore qualify as AfT as certain criteria are fulfilled. Its lending activities are also of fundamental interest for AfT since DEG loans target export-oriented enterprises, which are encouraged to trade in order to generate foreign exchange and thus reduce exchange rate risks (Voionmaa & Brüntrup, 2009).

⁶⁸ A project is considered trade-relevant if it carries a related CRS code and if a special focus on trade was identified by KfW programme managers through the trade marker. However, to complement the analysis, TD-o projects financed by KfW in the same countries were also examined.

a (limited) number of clearly trade-related infrastructure projects, e.g. the rehabilitation of the port of Douala in Cameroon. This trade-related investment in ports and cross-border roads reflects donors' division of labour.

TD-2 was only allocated to a project on micro, small and medium enterprise (MSME) financing in Nepal, which was launched in 2014. This implies that trade promotion is a primary goal of this project only. More precisely, this project provides refinancing for loans to SSMEs active in value chains, particularly in rural areas. However, the attribution of TD-2 seems not to have been completely straightforward, because the first project proposal⁶⁹ had proposed that TD-1 be allocated. This categorisation was apparently modified in the final stages of project development. The hesitation to attribute TD-2 is understandable since the project does not define which value chains it will promote and does not clarify whether export-related sectors will be covered. By contrast, trade is mentioned in another part of the project proposal which includes a reference to the under-exploited export potential of some products of importance for the national economy.

TD-1 is allocated to all other 57 trade-relevant projects. However, a specific reference to trade is found very rarely in the descriptive parts of the projects. Generally speaking, projects promoting agricultural development seem to integrate trade slightly more easily into their project design. For example, an outgrower scheme in Ghana focuses on the production of natural rubber and deals with export promotion. In addition, one (not yet approved) project in Uganda appears to be trade-relevant since it focuses on the refinancing of loans to small and medium farmers and SSMEs with a view to transforming Uganda into the food basket of the region. However, while these references to trade can be found through a thorough examination of project documents, no explicit discussion of any trade-related matter is included.

The attribution of TD-1 appears even less evident in projects supporting microfinance banks and other financial institutions. While final beneficiaries are usually (S)SMEs in rural and/or urban areas, their economic activity is normally not limited to a certain sector, making a reference to export-oriented

products more difficult. A link to trade is especially hard to establish in the case of microfinance projects, which naturally target very small-scale local economic activities. Even so, most microfinance projects carry TD-1 (Ghana, Namibia, Mongolia, Rwanda, Uganda), with the exception of Senegal where TD-o was attributed but not consistently over time.⁷⁰ This exemplifies the difficulties encountered when interpreting and applying the TD.

Sometimes, doubts remain as to whether the German word "Handel" was correctly interpreted as "cross-border trade" and not as "retail" when setting the trade development marker. For example, a project in Mozambique supporting SME financing argues that it should carry TD-1 since 60 percent of all SMEs are active in the trade sector ("Handelssektor") which, furthermore, is the second biggest sub-sector after agriculture. Likewise, a Senegalese project argues for TD-1 due to its envisaged positive effects on regional trade in Senegal, raising the question whether the term "regional" actually means sub-national here. However, the latter project is one of the more interesting ones since it supports the development of a mobile banking system which is intended to support the transfer of remittances from abroad, among other things. While the project does not target trade finance as such, a mobile banking system set up to transfer international remittances could also facilitate international trade transactions.

To conclude, very few of the analysed projects financed by KfW on behalf of BMZ have clear and direct links to trade issues even though they were assigned a positive TD (TD-1 in all cases apart from one). The TD appears to be a weak indicator of a project's trade relevance. A slightly positive trend can be observed over time, with the more recent and not yet approved projects taking trade into account to a slightly higher degree. No trade-related indicators were found in any project. This may result from the fact that these indicators often target a highly aggregate level and are therefore difficult to substantiate, even more so in projects dealing with financial services in which credits are granted to enterprises irrespective of whether they engage in trade or not. It could also be interpreted as a sign of the secondary role accorded to trade in the projects' design and implementation. Room for more

⁶⁹ "Kurzstellungnahme"

⁷⁰ Although the project retains the same project number over the years in question, its reports for 2009 and 2010 indicate "TD yes", while those for 2010 and 2011 state "TD-o". "TD yes" is not a standard method of labeling AfT projects but is assumed to mean TD-1 or TD-2.

specific references to trade certainly exist, e.g. in the area of agricultural development or trade finance/mobile banking, and should be made use of. This appears even more necessary considering the apparently extensive practice of attributing TD-1 and the effect this has on German TRA statistics, given that 100 percent of TD-1 project values are counted as TRA. Overall, there are some projects financed by KfW on behalf of BMZ which pay too little attention to trade, and others in which the attention paid to trade is overestimated (e.g. SMEs).

Finally, when taking an in-depth look at the AfT portfolio implemented by the various executing agencies, it becomes clear that only a few projects marked as trade-relevant have a specific focus on trade. Furthermore, the definition and setting of the trade development marker tend to differ between executing agencies, which all have their own understanding of trade relevance. A comparison of projects prior to 2011 – when the BMZ AfT concept was published – and later ones does not reveal any upward trend in integrating trade aspects in development projects. Hence, at the level of executing agencies, the success of mainstreaming AfT seems limited.

6.

CONCLUSIONS AND RECOMMENDATIONS

For those who expect a fully-fledged assessment of the current state of German AfT, a word of caution is in order: A desk study can only offer limited insights into issues as complex and broad as AfT. The quality of the data analysed suffers from a number of limitations caused by the broad scope of the topic and more specific challenges related to the monitoring of AfT and especially TRA (see Chapter 5).

That being said, the following conclusions and recommendations can be drawn in relation to the study's three research questions.

Research question 1: In comparison with other donors' AfT strategies, does the BMZ concept paper appropriately reflect the state of the art of international discussions about AfT (see Chapter 3)?

Overall, the BMZ AfT concept is in line with the general logic and approach formulated in the international debate on AfT. For instance, its basic assumptions largely correspond to the analysis by the WTO task force (WTO, 2006) and the EU AfT strategy (2007); indeed, it uses the same wording in various instances. This is not surprising, given that Germany as a major EU member was closely involved in the formulation of the EU AfT strategy.

Since the BMZ AfT concept was primarily designed as a tool for communication and mainstreaming trade within German development cooperation, it does not specify quantifiable indicators against which progress could be monitored, except for the target for TRA. In some ways, however, this conflicts with the importance which the concept attaches to monitoring and accountability in its Section 4. In addition, the concept paper would benefit from a clear definition of the higher-level aggregate impacts which it envisions. Outcomes are also usually formulated as the increased "capacity" of partners or SMEs which ought to result in higher trade performance. By contrast, clear expected outcomes at the level of "trade performance" are often missing, making it difficult to reconstruct specific indicators to assess trade-related impacts. The

non-existence of clearly defined outcomes and indicators in the BMZ AfT concept also translates into a low representation of trade-related indicators at the project and implementation level.

Recommendation 1: Consulting recent AfT strategies of donor countries such as Finland could help to identify a suitable approach for specifying goals and outcomes of German AfT in greater detail.

In contrast to the high relevance of green and inclusive growth and social standards in development cooperation, BMZ has not incorporated sustainable trade and resource efficiency into the goals and actions defined in its AfT concept to any great extent. Not only have such issues gained more and more importance internationally, but a stronger integration of green and inclusive growth issues – provided this is in line with partner countries' needs and demands – could also ensure the sustainability and long-term perspective of trade-related interventions (Finkel et al., 2013).

Recommendation 2: BMZ should place stronger emphasis on the integration of green and inclusive growth issues into its AfT concept as this is a highly relevant topic in German development cooperation.

Unlike some other European donors⁷¹, BMZ does not address the coherence of European trade policy with development policy in its AfT concept. However, access to EU and especially to German markets is important in increasing partner countries' trading opportunities. Increasing access to German markets is proven to be beneficial for German consumers and producers as well (Martínez-Zarzoso, Nowak-Lehmann D., Klasen, & Johannsen, 2013). This omission may be explained by the fact that Germany's AfT concept was formulated by BMZ while the overall competence for trade policy matters lies with other German (and EU) institutions. However, this does not justify the exclusion of any reference to Germany's internal policy coherence. Other European donors show that the alignment of domestic trade with trade-related development issues can be addressed in AfT strategies.

⁷¹ For example, the Swiss strategy on AfT aims to establish stable trading relationships between Switzerland and the EU and to improve access to Swiss and EU markets for small and medium enterprises (SMEs) from partner countries (Finkel et al., 2013, p. 9). The Finnish AfT strategy takes into account the potential role played by the private sector as a partner at various levels of development cooperation. According to information provided by IOB, Aid and Trade is at the heart of the Dutch policies pursued by the Ministry for Trade and Development Cooperation.

Recommendation 3: Germany should follow the example of other European donors and explore and take advantage of the potential synergies between domestic trade and trade-related development. Furthermore, highlighting the importance of trade promotion for German companies and for the development of partner countries would help raise awareness of the AfT initiative. Existing trade policy instruments such as the Import Promotion Desk should be integrated into the German AfT approach.

Recommendation 4: At present, the BMZ AfT concept gives little consideration to the general (regulatory) frameworks for increasing foreign direct investment (e.g. intellectual property rights, contract enforcement, red tape), mentioning foreign direct investment only in relation to local enterprises' competitiveness. Despite or due to the sensitivity of large-scale foreign investment in terms of land grabbing and environmental impacts, for example, the issue deserves more attention and could potentially multiply the impact of aid interventions.

The BMZ AfT concept clearly reflects the main focus of the discussions during the AfT initiative's early years. Moreover, in line with international practice, AfT was incorporated into German development cooperation through the "soft" means of mainstreaming, i.e. through awareness raising and persuasion rather than by creating a separate priority area devoted to trade. In that sense, when it was written, the BMZ AfT concept was an appropriate tool for incorporating AfT into German development cooperation. However, compared to other donors' current AfT strategies, it appears very consensus-based and, to some extent, lacking in focus, firm objectives and indicators. In that sense, it would benefit from a revision, which would also offer an opportunity to reflect on the inclusion of current topics such as green and inclusive growth, investment and coherence between trade and development policies.

Research question 2: Has AfT been successfully mainstreamed into BMZ's priority area, sector and country concept papers (see Chapter 4)?

More recent BMZ country strategies incorporate the trade dimension in an appropriate manner, even though the term

AfT is rarely used. Likewise, trade issues have successfully been mainstreamed into BMZ's thematic and priority area strategies covering private sector-related issues. By contrast, recent BMZ strategy papers on agriculture tend to disregard trade issues, even though the documents analysed were published quite recently.

Recommendation 5: BMZ should start an internal discussion on the potential contributions of regional and international trade to agricultural development, including food security.

Research question 3: Does the German AfT portfolio reflect the strategic priorities defined in the BMZ AfT concept (see Chapter 5)?

OECD CRS data confirms that Germany is one of the most important bilateral AfT donors. However, no clear trend in AfT or TRA number could be identified since funding sharply fluctuated over the period under investigation. For example, AfT disbursements substantially rose between 2008 and 2010, followed by a sharp decrease since 2010 due to fluctuations in loans for trade-related infrastructure. Similarly, TRA first rose to its highest value (USD 835 million) in 2009 before falling to as low as USD 587 million in 2012 (see Section 5.1). These fluctuations hint at a low degree of steerability of German AfT and especially TRA. They both tend to "happen" instead of being deliberately deployed. Some related challenges are outside of BMZ's control: International rules for monitoring TRA were defined only after the birth of AfT and, hence, have evolved over time. Moreover, they remain ambiguous. Steering AfT in the wide sense is even more challenging: It covers a wide range of activities – from economic policies to infrastructure and productive capacities – that make up almost one fifth of German ODA. The AfT initiative is only one of many determinants impacting the scale of these activities.

However, other factors are within the scope of BMZ's influence: For example, executing agencies seem to apply the trade development marker incoherently, which leads to an unstable financial volume of TRA. Since German executing agencies cannot rely on precise internationally or nationally agreed rules for interpreting the TD, each executing agency seems

to have developed its own specific approach, with negative repercussions for the comparability and predictability of TRA numbers.

Recommendation 6: BMZ should improve its guidance and supervision of executing agencies with regard to the TD application. To maintain a continuous exchange on AfT-related topics, such as the setting and co-signing of the TD or the attribution of multiple CRS codes, it may be useful to revitalise the “Thematic Team Trade and Sustainability”.

German AfT has been primarily channelled to Asia. The Asian focus of German development cooperation can largely be explained by the high percentage of development loans granted to Asian as compared to African countries. Overall, German AfT and TRA to SSA actually declined between 2008 and 2010, before returning to 2008 levels (analysis based on OECD CRS data). This development raises doubts as to whether the promise of the BMZ AfT concept to devote half of TRA increases to SSA was actually fulfilled (see Section 5.1).

As to the four AfT priority areas stipulated in BMZ’s AfT concept, only partial conclusions can be drawn. While trade facilitation does not seem – at least statistically – to have received the attention that it deserves, the picture definitely looks more positive in the case of regional integration (see Section 5.1). As PTB has succeeded in scaling up its portfolio since the launch of AfT in 2005, the third area – quality infrastructure – also appears to have been strengthened (see Section 5.2.1.2). Due to its scale, it is difficult to make a similar observation for the fourth area, which comprises regional and global value chains and other ways of incorporating the potential of export markets into measures to develop productive capacities. However, the examination of GIZ and KfW project documentation (see Sections 5.2.2 and 5.2.4) could not confirm a trend towards an increased emphasis on trading opportunities in projects which support agricultural or sustainable economic development. While domestic value chains are often part of project implementation, the same cannot be said of regional and global value chains. This finding suggests that the purpose of this (more ambitious) fourth priority area has not been achieved.

Recommendation 7: BMZ should realign or adjust its priority areas in German AfT support based on the above findings.

The TRA pledge of EUR 220 million per year starting in 2010, which was stipulated in the AfT concept, was easily met with an average of EUR 515 million per year between 2008 and 2012 (see Section 5.1). Interestingly, this pledge would have almost been reached with GIZ contributions alone (see Section 5.1.1.1). This raises the question whether the German TRA pledge was ambitious enough. Of course, the German pledge was derived from a European Union commitment which was made without proper knowledge of past TRA levels. This led to surprisingly high TRA levels in subsequent monitoring exercises, with no need for additional funding in order to fulfil the pledge. TRA numbers were also boosted by internationally agreed monitoring rules, especially the decision to assign 100 percent of TD-1 project values to TRA. As a result, all the often very large-scale and therefore expensive projects marked as TD-1 are counted as TRA, even though only one small proportion of them is linked to trade.

Recommendation 8: These monitoring practices underline the need not to confine any AfT analysis to aid statistics alone but, instead, to look more closely at project design in order to identify the AfT initiative’s real value added. That can only be created, if trade is continuously taken into account in all relevant projects – either as project indicators or at least as an element of project design.

An analysis of a sample of GIZ and KfW project documentation (see Sections 5.2.2 and 5.2.4) revealed that taking trade into account in all relevant projects seems to be a challenge for both executing agencies, with the exception of some recent GIZ projects, which are more specifically devoted to trade. In particular, agricultural projects offer obvious entry points, but these were rarely exploited.

A more positive trend can be observed over time in the case of KfW, with the more recent and not yet approved projects taking trade into account to a slightly higher degree. In the case of GIZ, the trend seems to be towards designing more stand-alone trade projects, instead of mainstreaming trade in larger interventions. If this observation, which is based on

a small number of project documents, is substantiated by a larger sample, it would indicate a certain diversion from the general mainstreaming approach chosen by BMZ in its AfT concept.

Recommendation 9: BMZ should ensure that the executing agencies make use of these entry points in the future. This is even more necessary considering the extensive practice of attributing TD-1 and the effects this has on German Trade Related Assistance statistics, given that 100 percent of any TD-1 project are counted as Trade Related Assistance.

Knowledge and awareness of AfT and, more generally, trade are limited. A considerable number of staff positions in GIZ's Competence Centre on Economic Policy and Private Sector Development are devoted to trade. While synergies between the different sections of this Competence Centre are being exploited on a daily basis, the sector programme, where the staff with more specific trade expertise can be found, is not directly involved in the design or implementation of most GIZ projects. The same is true of BMZ's Trade-related Development Cooperation division, which is only occasionally concerned with AfT projects since trade is only one of many topics within its sphere of responsibility.

Recommendation 10: If trade issues should receive more attention within German development cooperation, BMZ's and executing agencies' trade-related capacities would have to increase. Although BMZ cannot directly interfere with the executing agencies' staffing decisions, it should encourage them to build up expertise on trade issues by commissioning more trade-related projects and by emphasising that AfT is not a short-term trend but a strategic component of German development policy.

With regard to knowledge management of German AfT, it became apparent during the collection of data for this review that little information is available on the overall German AfT portfolio and on specific projects, and that the information that is available is not collected centrally or widely known.⁷²

Recommendation 11: To provide up-to-date data on German AfT, the TRA portfolio and more qualitative information on

trade-related projects, German AfT reviews – in two-year-cycles – could prove effective. Ideally, they would be linked to international AfT events such as the AfT Global Review. This type of review would contribute to raising awareness, both within and outside BMZ. To facilitate the writing of such reviews, portfolio figures should be drawn from BMZ's internal DASY database, facilitating direct comparisons between the portfolios of financial and technical cooperation.

So far, AfT has been incorporated into German development cooperation through “soft” mainstreaming, including awareness raising and persuasion. However, this approach has only been partly successful. Alternative strategies would entail the launching of trade as a priority area of its own, (as in Swiss development cooperation) or a special initiative or fund. The widely accepted poverty-reducing and sustainable growth-generating effects of trade could justify this new approach. A special fund for trade already exists within BMZ in the form of the Monterrey Fund. After some years with only limited funding, BMZ decided to increase its budget for 2015.

While a shift away from mainstreaming toward stand-alone treatment of trade would certainly increase the visibility of AfT, it would also pose substantial challenges. Generally, such a move would lead to a fragmentation of German development cooperation and counter the trend to design broad and multi-topic programmes instead of more narrow and isolated projects. A new priority area of “trade” would contradict the holistic approach embedded in the AfT initiative with its broad range of trade-related topics, including productive capacities and infrastructure – topics which are covered under different priority areas. From an administrative point of view, setting up a special initiative poses challenges related to the necessary division of funding between BMZ divisions (most AfT projects – with the exception of those under the Monterrey Fund – have so far been financed by BMZ country and regional divisions and not by the division dealing with trade). Moreover, a special AfT initiative might set a precedent for other cross-cutting topics whose proponents would understandably request similar treatment for “their” topic, further accelerating the fragmentation of German development cooperation.

⁷² The DASY database may be an exception.

Recommendation 12: The expansion of the Monterrey Fund in 2015 will highlight AfT by initiating and testing new activities that specifically focus on trade. After initial funding through the Monterrey Fund, these activities should ideally be rolled out as integral parts of German development programmes in a second step. Doing so will avoid the creation of isolated solutions which are only weakly coordinated with other German activities and will, instead, support and reinforce the general mainstreaming approach of German AfT.

Regardless of how AfT is anchored in German development cooperation, the most decisive impetus for promoting the topic would come from partner countries themselves. Only if they actively voice their need and demand for AfT, especially in government consultations, will AfT receive the attention and legitimacy necessary to feature more prominently in German development cooperation than it has done so far. This again is more likely to happen if German development cooperation is known for its expertise and willingness to support trade-related topics. Such should be the basic logic and the entry point for a renewed discussion of the German approach to AfT.

Options for a possible follow-up analysis of German AfT⁷³

The results of this desk study can be further substantiated in one of the following ways:

i) Fully-fledged evaluation of German AfT

A comprehensive evaluation of German AfT –e.g. in three years' time as a follow-up to this study – by DEval or by external consultants, including several case studies in the field, could provide useful insights into how German AfT operates in-country and which possible high-level outcomes and impacts of specific projects it achieves. Recent evaluations of donor countries and organisations prove that a comprehensive analysis of AfT support is possible. However, most of these evaluations do not show any results on the higher outcome and impact level due to missing baseline data, attribution problems or untested results chains.

Due to the vast definition of AfT, the evaluation could focus on one specific aspect of AfT such as “Trade policy and regulations” (or even more narrowly on “Regional integration or trade facilitation”) or “Trade development”.

ii) Larger review of project documentation

The methodology applied in this review has taken a relatively casual approach. While the evaluation team believes that the country sample selected is largely representative of German AfT, it may be useful to undertake a more nuanced analysis, e.g. by analysing further AfT project documents. However, this would make considerable demands on executing agencies required to provide information.

iii) Regular two-year reviews of German AfT

Every second year, BMZ could commission a relatively short review on various aspects of German AfT to provide a regular update and to position AfT more prominently within BMZ and executing agencies. This review could be connected to the Global Review of AfT or other international AfT events, and could be undertaken by DEval or by external consultants. Enough time and personnel resources for the collection of necessary documentation need to be scheduled for such a review exercise.

⁷³ These options could also be pursued concurrently.

ANNEX

Table 4. Five portfolio criteria – country case selection

	OECD CRS (score >=3)	KFW (score >=2)	GIZ (score >=3)	#*
1			Albania	1
2	Armenia			1
3	Azerbaijan			1
4		Chile		1
5	Costa Rica			1
6	Egypt			1
7	El Salvador			1
8	Kosovo			1
9	Kyrgyz Republic			1
10	Macedonia, FYR			1
11		Mauretania		1
12	Moldova			1
13	Morocco			1
14			Myanmar	1
15	Philippines			1
16			Zimbabwe	1
17	Tunisia		Tunisia	1
18		Turkey		1
19	Uzbekistan			1
20	Algeria		Algeria	2
21	Ethiopia		Ethiopia	2
22	Bolivia		Bolivia	2
23	Bosnia-Herzegovina	Bosnia-Herzegovina		2
24	Georgia	Georgia		2
25	Laos		Laos	2
26	Mali	Mali		2
27	Mongolia		Mongolia	2
28	Namibia	Namibia		2
29	Nepal		Nepal	2
30	Nigeria	Nigeria		2
31	Serbia	Serbia		2
32	Tajikistan		Tajikistan	2
33	Uganda	Uganda		2

	OECD CRS (score >=3)	KfW (score >=2)	GIZ (score >=3)	#*
34	Ukraine	Ukraine		2
35	Mozambique	Mozambique		2
36	West Bank & Gaza		West Bank & Gaza	2
37	Burkina Faso	Burkina Faso	Burkina Faso	3
38	Thailand	Thailand	Thailand	3
39	Ghana	Ghana	Ghana	3
40	Montenegro	Montenegro	Montenegro	3
41	Rwanda	Rwanda	Rwanda	3
42	Senegal	Senegal	Senegal	3

* # indicates how many times specific countries are listed throughout all databases

Source: OECD DRS data; KfW and GIZ project lists, 2014

Table 5. Earlier approaches to the selection of country case studies

Regional and country-level analysis	Keyword search
<p>The evaluation team conducted simple descriptive statistics on regional and country-level distributions of German and international AfT and TRA flows. The original aim was to generate country rankings by various criteria (e.g. overall disbursements/commitment on AfT/TRA flows) to derive a potential country selection. Various country rankings were developed by region (e.g. 1.South Africa, 2.Nigeria and 3.Ghana in the case of total TRA disbursements from 2006 to 2011 in sub-Saharan Africa). Another example is the country ranking TRA per capita disbursements from 2006 to 2011 (e.g. 1. Namibia, 2. Zambia and 3. Lesotho in the region South of Sahara). The evaluation team tried to identify patterns from these diverse country rankings. However, due to the large amount of countries and no systematic limitation to specific indicators, it was not possible to select the final countries.</p>	<p>Following earlier studies on AfT (e.g. Delpuch et al., 2011), the evaluation team tried to select specific projects via a keyword search in the CRS data. However, even when selecting a large variety of keywords such as “trade”, “export”, “import”, “customs”, “tariffs”, “private sector” etc. (and interconnecting those with CRS-codes and/or the trade marker), the selection of projects did not reflect a typical sample of AfT projects. This is because so-called “long descriptions” of projects often do not include more information than simple titles. Further, many titles are not titles per se but rather formulated objectives or goals of projects. The search is further complicated as titles and long descriptions are inter-changeably recorded in English, German or French. Due to these complicating factors and no meaningful results, the evaluation team refrained from conducting a systematic keyword search of the CRS data.</p>

In the process of selecting an adequate methodology to the AfT evaluation, the evaluation team developed different approaches to analyse CRS data. Finding patterns in regional and country-level analysis and keyword search were the two approaches that were rejected during the process.

Table 6. Donor level evaluations and studies on AfT and TRA

Donor/ agency	Author/title	Period	Data collection	Main objectives	Main findings (examples)	Limitations
1. Norway	Lindahl (2011)	2007–2010	<ul style="list-style-type: none"> desk review assessment of nine multilateral organisations and their evaluation reports on AfT 	<ul style="list-style-type: none"> provide experience and results of Norwegian support for Trade Related Assistance through multilateral organisations 	<ul style="list-style-type: none"> discrepancy between perception and reality of Norway's role in delivering AfT; independent project evaluations in multilateral organisations are surprisingly few, mainly due to financial considerations 	<ul style="list-style-type: none"> neither covers bilateral assistance nor includes the broader AfT categories "Trade-related infrastructure" and "Building productive capacity"; does not consider the recipient country perspective
2. Sweden	Goppers and Lindahl (2009)	1995–2008	<ul style="list-style-type: none"> 20 projects either ongoing or completed after 2001, 2 country case studies (Tanzania and Uganda); focus on Sida's larger projects; projects cover the three categories of TRA 	<ul style="list-style-type: none"> assess the outcome of Sida's Trade Related Assistance; assess the relevance of such assistance to assess appropriateness of Sida's results information system and of the management of TRA 	<ul style="list-style-type: none"> based on the available results from the projects under examination, outcomes of the TRA projects are unclear in terms of reaching their development objectives; such as influence on trade policy, provision of services to the trade sector, improvement of competitiveness and increase in trade; in only one of the reviewed TRA projects it is concluded that the project has contributed to Sida's overriding objective reduce poverty. (p. 9) 	<ul style="list-style-type: none"> only using secondary documentation; "Results-chains have not been tested empirically in the reviewed reports, nor would such tests be possible in most of the projects. The higher in the chain of results such assessments are attempted, the greater are the problems of attribution and counterfactuals, besides the issue of time when such impact can be expected [...]". (p. 10)
3. Finland	Bird et al. (2011)	2006–2010	<ul style="list-style-type: none"> Literature review, interviews in-country, visits to international/multilateral organizations; 34 projects (bilateral, multilateral, multi-bi) in East/Southern Africa and Asia; assessment at policy/strategic and programmatic level, sample was chosen based on available documentation; in line with main areas of Finnish AfT by sector/themes and geographical focus 	<ul style="list-style-type: none"> provide overall picture of Finland's AfT in order to further improve and enhance its effectiveness 	<ul style="list-style-type: none"> lack of conceptual clarification of AfT reduces the scope to promote cohesiveness and complementarities among projects/programmes in collectively achieving trade-related performance targets at the outcome level; fragmentation of AfT and no adequate inclusion of cross-cutting issues 	<ul style="list-style-type: none"> analysis is largely at the level of individual projects and programmes; unavailability of documents

Donor/agency	Author/title	Period	Data collection	Main objectives	Main findings (examples)	Limitations
4. The Netherlands	IOB (2005)	1997–2004	<ul style="list-style-type: none"> • desk study and field review in Burkina Faso and Tanzania, Ethiopia and Yemen (2 large and country-based programmes); • 7 case studies in the field; • mostly concentrates on WTO category 1 (“Trade policy and regulations”) and focused on multilateral programmes; • Dutch policy supported technical assistance mainly through multilateral channels at that time. 	<ul style="list-style-type: none"> • assess results of selected multilateral TRTA programmes and intergovernmental organisations/NGOs supported, to enable policy-makers to (i) account for funding for such assistance to the Dutch Parliament, and (ii) determine whether such commitments should be larger, smaller or different in the future; • the focus of the evaluation was on the question whether the private or public sector is more efficient and effective in delivering AfT 	<ul style="list-style-type: none"> • design/implementation of TRTA activities show too little attention to formulating/using measurable indicators; • for TRTA to single-issue organisations in non-LDCs efficient/effective; • multilateral TRTA programmes targeting LDCs not efficient/effective; • weak country ownership; • private sector much more efficient in delivering TRTA support. 	<ul style="list-style-type: none"> • difficult to measure effects on poverty: study focuses on lower rungs of a goal-means-effect hierarchy • Since 2004, there has been a policy change in the Netherlands towards more bilateral support. There is more emphasis on the role of international value chains, the role of the (Dutch) private sector and foreign direct investments. The latest AfT policy document is the most elaborated one so far. Since 2012, Aid and Trade is on the heart of the Dutch policy (“Minister for Trade and Development Cooperation”).
5. World Bank	Ingram (2006)	1987–2004	<ul style="list-style-type: none"> • desk study to identify evolution of trade assistance (1987–2001; 2001–04) • review of trade-related interventions in India, Indonesia, Morocco, Mozambique, Senegal, and Zambia; • interviews and surveys with key stakeholders 	<ul style="list-style-type: none"> • assess development effectiveness of the Bank’s trade assistance (lending and non-lending activities, such as research and advocacy); • evaluate whether stated strategies and objectives have been reached 	<ul style="list-style-type: none"> • findings on two main evaluation questions in 2 periods (1987–2001 and 2001–2004): Was the Bank’s assistance relevant? Was the Bank’s assistance effective? More attention should have been given to strengthening the analytical tools, processes, and systematic interactions 	
6. USAID	USAID (2007)	2002–2006; later 2007–2009	<ul style="list-style-type: none"> • 256 projects; • literature review, project documentation, e-survey among USAID staff; • qualitative/quantitative data analysis 	<ul style="list-style-type: none"> • examines results and impact of trade capacity building activities for the purpose of learning from experience to improve the design and implementation of this assistance 	<ul style="list-style-type: none"> • important to work toward more competitive public and private sector practices simultaneously; • synergies are also found in combining training, analysis, technical advice, and equipment to deliver an integrated assistance package. (p. xi) 	<ul style="list-style-type: none"> • errors in connecting annual funding entries to identify multi-year projects; • difficulties in locating project documents

Donor/agency	Author/title	Period	Data collection	Main objectives	Main findings (examples)	Limitations
7. ICTSD	Khatun et al. (2013) Adhikari (2011)	2002–2009	<ul style="list-style-type: none"> 8 country studies; methodology matrix developed by ICTSD on AfT funds trajectory, ownership, alignment etc. 	<ul style="list-style-type: none"> Task Force report emphasises the need for concrete and visible results on the ground 	<ul style="list-style-type: none"> AfT most effective when additional and predictable, mainstreamed into national development strategy and owned by partner country; lack of awareness of the AfT initiative in concept and practice 	<ul style="list-style-type: none"> no way of aggregating into a conclusive statement of AfT effectiveness in a given country
8. OECD	Delpeuch et al. (2011)	1999–2008	<ul style="list-style-type: none"> 162 evaluations in transport and storage sectors in Ghana/Viet Nam; examination of key words 	<ul style="list-style-type: none"> assessment whether evaluations offer useful information for policy makers; proposition of evaluation guideline 	<ul style="list-style-type: none"> AfT evaluations do not say much about trade; evaluations did not clarify policy linkages; vague and ill-focused; lacking adequate timeframe for measuring results; no identification of causal links possible 	<ul style="list-style-type: none"> total number of operations conducted by DAC members in this time period was 61,677
9. Japan	Yamagata (2012)	2005–2011	<ul style="list-style-type: none"> case studies in Viet Nam and Laos; document review, hearings 	<ul style="list-style-type: none"> evaluation of Japan's 2 AfT initiatives; verification whether enhanced productivity, reduced poverty etc. were achieved in countries where Japanese AfT was implemented 	<ul style="list-style-type: none"> only general statements on consistency, effectiveness 	<ul style="list-style-type: none"> English translation only very general
10. EU	EU (2013)	2004–2010	<ul style="list-style-type: none"> out of originally pre-selected 23 countries and five regions, 11 countries and three regions were selected for further in-depth desk research; web-survey; 8 case studies in the field 	<ul style="list-style-type: none"> overall and independent assessment of the EU's TRA in third countries; identify key lessons in order to improve current and future strategies and programmes of the EU 	<ul style="list-style-type: none"> an expanded TRA portfolio enabled the EU to engage successfully in diverse contexts; the joint EU AfT strategy of 2007 supported harmonisation and alignment efforts, but momentum has recently been weakening (in total 10 detailed conclusions) 	<ul style="list-style-type: none"> TRA definition problem (trade-marker); assessment of EU contribution
ODI Not an own evaluation but research on AfT effectiveness	Basnett and Engel (2013)		<ul style="list-style-type: none"> examining Aid for Trade sequentially and through a political economy analysis lens; 4 stages: determining AfT priorities, structuring AfT delivery, design and implementation, monitoring and evaluation (M+E) 	<ul style="list-style-type: none"> This review paper on AfT aims to identify and provide an overview of the impact of AfT, what has worked and what some of the barriers are to improving its effectiveness 	<ul style="list-style-type: none"> AfT impact varies considerably depending on type/income level/geographic region/sector of AfT; SSA is one of the regions most likely to benefit from AfT; aid to infrastructure is more effective in LDCs, while aid flows to business sectors are more effective in higher income developing countries 	

Donor/ agency	Author/title	Period	Data collection	Main objectives	Main findings (examples)	Limitations
11. Switzerland	Finkel et al. (2013)	2002–2012	<ul style="list-style-type: none"> • semi-structured interviews with stakeholders and beneficiaries of programmes; • 2 country case studies Viet Nam and Peru 	<ul style="list-style-type: none"> • assess the relevance of the strategic approach to Aft on a strategic/ programmatic and on a portfolio level 	<ul style="list-style-type: none"> • trade as an own field works well; • project quality is varying (challenges are institutional and business environment in i.e. Viet Nam); • monitoring is challenge as many different implementers with different monitoring models 	<ul style="list-style-type: none"> • no results model that aggregates project level outcomes into a coherent country level results model; • mix up between different levels of results and objectives in strategies; • standardised reporting that links project outcomes to country-level outcomes has not been introduced

Table 7. BMZ thematic concept papers analysed

Publisher	Year	Title	Mentions of “Aft”	Mentions of “Handel”	Pages (without cover)	Mentions “Handel” per page
BMZ	2006	“Pro Poor Growth” – Das entwicklungspolitische Thema Breitenwirksames Wachstum, BMZ Spezial 142.	0	0	9	0
BMZ	2010	Entwicklungspolitisches Strategiepapier Extraktive Rohstoffe, BMZ Strategiepapier 4/2010.	2	20	23	0.87
BMZ	2011	Entwicklung ländlicher Räume und ihr Beitrag zur Ernährungssicherheit, BMZ Strategiepapier 1/2011.	0	5	18	0.28
BMZ	2011	Märkte entwickeln, Wohlstand schaffen, Armut reduzieren, Verantwortung übernehmen – Die Wirtschaft als Partner der Entwicklungspolitik, BMZ Strategiepapier 3/2011.	1	8	15	0.53
BMZ	2012	Armut wirksamer bekämpfen – weltweit! Übersektoriales Konzept zur Armutsreduzierung, BMZ Strategiepapier 6/2012.	0	2	18	0.11
BMZ	2013	Förderung einer nachhaltigen Landwirtschaft – entwicklungspolitisches Konzept, BMZ Strategiepapier 3/2013.	0	8	23	0.35
BMZ	2013	Sektorkonzept Privatwirtschaftsförderung, BMZ Strategiepapier 9/2013.	1	10	30	0.33

Table 8. BMZ country strategy papers and priority area strategies (“Schwerpunktstrategien”) analysed

BMZ COUNTRY STRATEGY PAPERS					
Publisher	Year	Title			
BMZ	2006	Länderkonzept Senegal			
BMZ	2006	Namibia. Länderkonzept zur Entwicklungszusammenarbeit			
BMZ	2007	Mosambik. Länderkonzept 2007–2009			
BMZ	2010	Länderkonzept Nepal			
BMZ	2012	Länderstrategie Mongolei			
BMZ	2008	Länderkonzept Äthiopien ⁷⁴			
BMZ	2009	Rwanda Länderkonzept			

PRIORITY AREA STRATEGIES					
Publisher	Year	Title	Mentions of “trade”	Pages (without cover)	Mentions per page
BMZ	2008	Priority Area Strategy Paper Sustainable Land Management	0	12	0
Deutsch-Senegalesische Zusammenarbeit	2009	Schwerpunktstrategiepapier Senegal Nachhaltige Wirtschaftsentwicklung	3	9	0.3
BMZ	2009	Schwerpunktstrategiepapier Ruanda Nachhaltige Wirtschaftsentwicklung	10	12	0.8
BMZ	2009	Burkina Faso. Promotion d'une agriculture durable. Document de stratégie pour le pôle prioritaire d'intervention	0	10	0
BMZ	2010	Schwerpunktstrategiepapier Transport in Namibia	0	12	0
Lao-German development cooperation	2011	Joint Strategy for the Priority Area “Sustainable Economic Development”	8	13	0.62
Lao-German development cooperation	2011	Joint Strategy for the Priority Area “Rural Development in Poor Regions of the Lao People's Democratic Republic (PDR)”	1	16	0.06
Namibian-German development cooperation	2012	Schwerpunktstrategiepapier Nachhaltige Wirtschaftsentwicklung in Namibia	5	10	0.5
Deutsch-Mosambikanische Entwicklungszusammenarbeit	2012	Schwerpunktstrategiepapier Nachhaltige Wirtschaftsentwicklung 2012–2015	22	12	1.8

⁷⁴ Even though “trade” („Handel”) is not mentioned in the Ethiopian country concept, the word “export” is mentioned eight times.

Table 9. Partner countries' national development strategies

Publisher	Country	Year	Title
Ministry of Finance and Economic Development	Ethiopia	2010	Growth and Transformation Plan 2010/11–2014/15 – Volume I
Committee for Planning and Investment	Laos	2006	National Socio-Economic Development Plan (2006–2010)
Ministry of Planning and Investment	Laos	2011	The Seventh Five-Year National Socio-Economic Development Plan (2011–2015)
Ministry of Industry and Commerce, Trade Development Facility	Laos	2011	Trade Facilitation Strategic Plan for Lao PDR (2011–2015)
Government of Mongolia	Mongolia	2004	Poverty Reduction Strategy Implementation Progress Report
Republic of Mozambique	Mozambique	2006	Action Plan for the Reduction of Absolute Poverty 2006–2009
Republic of Mozambique	Mozambique	2011	Poverty Reduction Action Plan (PARP) 2011–2014
Office of the President, National Planning Commission	Namibia		Namibia's Fourth National Development Plan 2012/2013–2016/2017
Government of Nepal, Ministry of Commerce and Supplies	Nepal	2010	Nepal Trade Integration Strategy 2010. Executive Summary and Action Matrix
National Planning Commission	Nepal	2005	An Assessment of the Implementation of the Tenth Plan. Second Progress Report on the Road to Freedom from Poverty
Republic of Rwanda	Rwanda	2013	Shaping our Development: Economic Development and Poverty Reduction Strategy 2013 – 2018
Republic of Senegal	Senegal	2006	Poverty Reduction Strategy Paper
Republic of Senegal	Senegal	2012	National Strategy for Economic and Social Development 2013–2017

Table 10. Project documents received for analysis from GIZ

Number	BMZ-Number	Project Title	Country	CRS code	TD
1	2011.2217.5	Support to quality infrastructure	Ethiopia	25010	2
2	2004.2060.4	Sustainable utilisation of natural resources for improved food security	Ethiopia	31130	0
3	2012.9761.3	Agriculture	Ethiopia	31130	0
4	2011.2134.2 ⁷⁵	Sustainable land management	Ethiopia	31130	1
5	2008.2077.9 ⁷⁶	Sustainable land management	Ethiopia	31130	1
6	2012.9766.2	Implementation of participatory forest management (PFM) in or adjacent areas of the SLM-programme	Ethiopia	31220	0
7	2008.2076.1	Engineering capacity building programme (ECBP)	Ethiopia	32110	1
8	2005.2029.6	Engineering capacity building programme (ECBP)	Ethiopia	32120	2
9	2012.9752.2	Erosion and soil fertility protection and recuperation of degraded surface	Burkina Faso	31120	0
10	2005.2182.3	Agricultural development programme	Burkina Faso	31120	1
11	2011.2047.6	Agricultural development programme	Burkina Faso	31120	1
12	2008.2171.0 ⁷⁷	Agricultural development programme	Burkina Faso	31120	1
13	2006.2108.6	Reform of public finance	Ghana	24010	0
14	2009.9082.0	Innovative insurance products for adaptation to climate change	Ghana	24010	0
15	2009.2047.0	Programme for sustainable economic development	Ghana	24040	1
16	2006.2007.0	Programme for sustainable economic development	Ghana	25010	2
17	2011.2205.0	Promotion of market-oriented agriculture	Ghana	31110	1
18	2011.9758.1	Climate change adaptation of agro-ecosystems in Ghana	Ghana	31110	0
19	2012.2105.0	Promotion of market-oriented agriculture	Ghana	31110	1
20	2007.2180.3	Market-oriented agriculture Programme	Ghana	31191	2
21	2005.2027.0	FORUM Forest protection and resource use management project, Volta region	Ghana	31220	0
22	2008.2044.9	Microfinance in rural areas – access to finance for the poor	Laos	24040	0
23	2009.2295.5	Microfinance in rural areas – access to finance for the poor	Laos	24040	0
24	2002.2478.2	Development of market economy with a special focus on the development of human resources	Laos	25010	2
25	2006.2112.8	Development of market economy with a special focus on the development of human Resources	Laos	25010	2
26	2009.2296.3	Development of market economy with a special focus on the development of human resources	Laos	25010	2
27	2008.2045.6 ⁷⁸	Climate protection through avoided deforestation (REDD in Laos)	Laos	31210	0
28	2012.2256.1	Forest law enforcement, governance and trade	Laos	31210	1
29	2008.2024.1	Inclusive development of the economy	Nepal	25010	2

⁷⁵ This project is marked as a co-financed project.⁷⁶ This project is marked as a co-financed project.⁷⁷ This project is marked as a co-financed project.⁷⁸ This project is marked as a co-financed project.

Number	BMZ-Number	Project Title	Country	CRS code	TD
30	2012.2201.7	Inclusive development of the economy	Nepal	25010	2
31	2008.2168.6	Support of microfinance services in rural areas	Tajikistan	24030	2
32	2003.2207.3	Support of microfinance services in rural areas	Tajikistan	24040	0
33	2010.2106.2	Framework and finance for private-sector development in Tajikistan	Tajikistan	25010	2
34	2012.9756.3	Adaptation to climate change through sustainable forest management	Tajikistan	31220	0
35	2008.2169.4	Support of SMEs in Tajikistan	Tajikistan	32130	0
36	2004.2208.9	Support of SMEs in Tajikistan	Tajikistan	32130	2
37	2010.2054.4	Financial system development in Uganda	Uganda	24010	1
38	2007.2054.0 ⁷⁹	Programme financial system development in Uganda	Uganda	24010	0

Source: GIZ project list, 2014

Table 11. Project CRS codes and trade development marker (GIZ)

CRS Code	Description	Number of projects implemented by GIZ	TD 1	TD 2
24010	Banking and financial services – financial policy and administrative management	4	1	
24030	Banking and financial services – formal sector financial intermediaries	1		1
24040	Banking and financial services – informal/semi-formal financial intermediaries	4	1	
25010	Business and other service – business support services and institutions	8		8
31110	Agriculture – agricultural policy and administrative management	3	2	
31120	Agriculture – agricultural development	5	3	
31130	Agriculture – agricultural land resources	3	2	
31191	Agriculture – agricultural services	1		1
31210	Forestry – forestry policy and administrative management	1	1	
31220	Forestry – forestry development	3		
32110	Industry – industrial policy and administrative management	1	1	
32120	Industry – industrial development	1		1
32130	Industry – small and medium-sized enterprises (SME) development	2		1
Total		38	11	12

Source: GIZ project documents, 2014

⁷⁹ This project is marked as a co-financed project.

Table 12. Project documents received for analysis from KfW

No	Project No	Project title German	Project title English	Country	CRS	Trade marker
1	20195	PEJU I	PEJU I	Senegal	24040	TD 1
2	20604	Inwertsetzung von Talauen (VP)	Enhancement of floodplains (VP)	Burkina Faso	31140	TD 1
3	21415	Katastrophenvorsorge-Finanzsektorprogramm (Inv.)	KV-Programme Financial system (Inv.)	Mozambique	24030	TD 1
4	21416	SOCREMO – MSC	SOCREMO – MSC	Mozambique	24030	TD 1
5	21531	Aufbau von Finanzinstitutionen (Schwerpunktprogramm Finanzsektor Namibia) (Inv.) (VP)	Organisation of finance institutions (Focus programme financial system Namibia) (Inv.) (VP)	Namibia	24030	TD 1
6	21541	Programm Beschäftigungsförderung für Jugendliche im städtischen Raum	Programme Employment promotion for the youth in urban areas	Senegal	24040	TD 1
7	21638	KKU-Förderung (Kapazitätsaufbau für Wirtschaftsentwicklung)	SME-Promotion (capacity building economy development)	Ethiopia	24030	TD 1
8	21978	Mikrofinanzierung II (KfW-Treuhandmittel)	Microfinance II (KfW-Trust)	Ghana	24030	TD 1
9	21981	Förderung Fina Mikrofinanzbank (KfW-Treuhandmittel)	Promotion finance microfinance bank (KfW-Trust)	Rwanda	24040	TD 1
10	22116	Katastrophenvorsorge-Finanzsektorprogramm (BM)	KV-Programme Financial system (accompanying measures)	Mozambique	24030	TD 1
11	22162	Aufbau von Finanzinstitutionen (FV)	Organisation of finance institutions (FV)	Namibia	24081	TD 1
12	22176	Eigenkapitalbeteiligung an der Mikrofinanzbank (THB) (KfW-Treuhandmittel)	Microfinance bank: participation in equity capital (THB) (KfW-Trust)	Namibia	24030	TD 1
13	22335	Programm Entwicklung des Finanzsektors	Programme Development of the financial system	Uganda	24010	TD 1
14	22558	Katastrophenvorsorge-Finanzsektorprogramm Banco Terra (THB) (Inv.)	KV-Programme Financial system Banco Terra (THB)(Inv.)	Mozambique	24030	TD 1
15	22559	KV-Finanzsektorprogramm Banco Terra (BM)	KV-Programme Financial system Banco Terra (accompanying measures)	Mozambique	24030	TD 1
16	22567	KfW-Treuhandbeteiligung an der mongolischen Mikrobank XAC (BM) (THB)	KfW-Trustholding Mongolian Rural Bank XAC (accompanying measures) (THB)	Mongolia	24030	TD 1
17	22642	Mikrofinanzierung II Wholesale Microfinance Facility	Microfinance II Wholesale Microfinance Facility	Ghana	24081	TD 1
18	22643	Mikrofinanzierung II MFI (AF)	Microfinance II MFI (AF)	Ghana	24081	TD 1
19	22837	PEJU I (A+F) ACEP	PEJU I (A+F) ACEP	Senegal	24081	TD 1
20	23160	Förderung der Finanzsystementwicklung ("Mobile Banking") (Inv.)	Promotion of financial service development ("mobile banking") (Inv.)	Senegal	24030	TD 1
21	23196	Nachhaltige Agrarwirtschaftsförderung	Promotion of sustainable agrarian economy	Burkina Faso	31120	TD 1
22	23209	Katastrophenvorsorge-Finanzsystementwicklung/Mikrofinanzprogramm II	KV-Financial system development/microfinance programme II	Uganda	24030	TD 1
23	24000	Förderung des Hypothekarkreditwesens (BM)	Promotion of the hypothecary credit system (accompanying measures)	Mongolia	24030	TD 1

No	Project No	Project title German	Project title English	Country	CRS	Trade marker
24	24470	Fonds zur Förderung der marktorientierten Landwirtschaft Phase II (VPT)	Funds to promote market-oriented agriculture phase II (VPT)	Ghana	31120	TD 1
25	24933	Ländliche Finanzdienstleistungen	Rural financial services	Ghana	31193	TD 1
26	24934	Ländliche Finanzdienstleistungen (BM)	Rural financial services (accompanying measures)	Ghana	31193	TD 1
27	25196	Inwertsetzung von Talauen II	Enhancement of floodplains II	Burkina Faso	31140	TD 1
28	26679	Programm Wirtschafts – und Beschäftigungsförderung – Förderung Mikrofinanzsektor	Programme Economy and employment promotion – promotion of the microfinance System	Rwanda	24030	TD 1
29	26763	Banco Terra (Treuhänder)	Banco Terra (Trust)	Mozambique	24030	TD 1
30	27495	Kleinbewässerung im Großraum West	Small-scale irrigation west	Burkina Faso	31120	TD 1
31	27506	Challenge Fund II (VPT)	Challenge Fund II (VPT)	Rwanda	24040	TD 1
32	27742	Förderung der Finanzsystementwicklung ("Mobile Banking") (BM)	Promotion of financial system development („mobile banking“) – accompanying measures	Senegal	24030	TD 1
33	27946	Nachhaltige Agrarwirtschaftsförderung	Promotion of sustainable agrarian economy	Burkina Faso	31120	TD 1
34	28491	Fonds zur Förderung der marktorientierten Landwirtschaft Phase II (BM)	Funds to promote market-oriented agriculture phase II (accompanying measures)	Ghana	31120	TD 1
35	28631	Challenge Fund (A&F)	Challenge Fund (A&F)	Rwanda	24040	TD 1
36	28670	Finanzsektorprogramm (Investition)	Programme Financial sector (investment)	Tajikistan	24081	TD 1
37	28671	Finanzsektorprogramm, BM	Programme Financial Sector (accompanying measures)	Tajikistan	24030	TD 1
38	28723	Förderung von erneuerbaren Energien und Energieeffizienz	Promotion of renewable energy and energy efficiency	Senegal	24030	TD 1
39	28936	Nachhaltige Wirtschaftsentwicklung – KKMU Förderung	Programme Development of sustainable economy – promotion of SSMEs	Mozambique	24030	TD 1
40	29520	Programm Nachhaltige Wirtschaftsentwicklung – Finanzsektorförderung	Programme Development of sustainable economy – promotion of the financial system	Mozambique	24030	TD 1
41	29551	Komponente 1 (Inv.): KKMU Kreditlinie und EE/EE Kreditlinie	Constituent 1 (Inv.): SSME credit guideline and EE/EE credit guideline	Mozambique	24030	TD 1
42	29552	Komponente 1 (BM): Begleitmaßnahme zu den MSME und EE/EE-Kreditlinien	Constituent 1: accompanying measures to MSME and EE/EE credit guidelines	Mozambique	24030	TD 1
43	29553	Komponente 2: Branchless Banking	Constituent 2: Branchless Banking	Mozambique	24030	TD 1
44	29554	Komponente 3 (Inv.) Einlagensicherungsfonds	Constituent 3 (INV.): Deposit guarantee funds	Mozambique	24030	TD 1
45	29555	Komponente 3 (BM): Begleitmaßnahme zur Einlagensicherung und Weltspartag	Constituent 3: Accompanying measures to deposit guarantee and international savings day	Mozambique	24030	TD 1

No	Project No	Project title German	Project title English	Country	CRS	Trade marker
46	29653	Mikrofinanzierung III (Begleitmaßnahme)	Microfinance III (accompanying measures)	Ghana	24030	TD 1
47	30491	Programm Entwicklung der Agrarfinanzierung	Programme Development of agrarian financing	Uganda	24030	TD 1
48	31002	Mikrofinanzierung III (Ländliche Mikrofinanzierung)	Microfinance III (Microfinance in rural areas)	Ghana	24030	TD 1
49	31321	FZ-Förderkredit an ACLEDA Laos	FZ Development loan ACLEDA Laos	Laos	24030	TD-1
50	31417	Nachhaltige Wirtschaftsförderung im ländlichen Raum	Promotion of sustainable economy in rural areas	Nepal	31162	TD 2
51	31609	Komponente 4 (BM): Begleitmaßnahme Finanzielle Grundbildung	Constituent 4 (accompanying measures): Basic financial education	Mozambique	24030	TD 1
52	31610	Komponente 5 (BM): Begleitmaßnahme Beratungsleistungen für MSME	Constituent 5 (accompanying measures): Advisory service for MSME	Mozambique	24030	TD 1
53	32186	Einrichtung der Institution Kreditbüro	Implementation of the institution Credit Agency	Mozambique	24030	TD 1
54	32187	Finanzierung Wertschöpfungsketten/ Agri-Finance	Financing value chains/agri-finance	Mozambique	24030	TD 1
55	32203	Programm Wirtschafts – und Beschäftigungsförderung – Förderung Mikrofinanzsektor	Programme Economy and employment promotion – promotion microfinance system	Rwanda	24030	TD 1
56	32210	Nachhaltige Agrarwirtschaftsförderung	Promotion of sustainable agrarian economy	Burkina Faso	31120	TD 1
57	32453	Programm Entwicklung der Agrarfinanzierung (BM)	Programme Development of agrarian financing (accompanying measures)	Uganda	24030	TD 1
58	32574	Kleinbewässerung im Großraum West (VPT)	Small-scale irrigation West (VPT)	Burkina Faso	31120	TD 1

Source: KfW project list, 2014

Table 13. Projects' CRS codes and trade development marker (KfW)

CRS Code	Description	Number of projects	TD-1	TD-2
24010	Banking and financial services – financial policy and administrative management	1	1	
24030	Banking and financial services – formal sector financial intermediaries	35	35	
24040	Banking and financial services – informal/semi-formal financial intermediaries	5	5	
24081	Banking and financial services – education/training in banking and financial services	5	5	
31120	Agriculture – agricultural development	7	7	
31140	Agriculture – agricultural water resources	2	2	
31162	Agriculture – industrial crops/export crops	1		1
31193	Agriculture – agricultural financial services	2	2	
Total		58	57	1

Source: KfW project documents, 2014

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